

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Panacea Biotec Ltd. will be held on **Saturday, the 18th day of September, 2004 at 12.30 P.M** at the Registered Office of the Company at **Ambala-Chandigarh Highway, Lalru - 140501, Punjab**, to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2004 and the Profit & Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To declare dividend on Preference Shares as well as on Equity Shares of the Company.
3. To appoint a Director in place of Shri R.L. Narasimhan, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri N.N. Khamitkar, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Sunil Kapoor, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri C.C. Bhagat, who retires by rotation, and being eligible, offers himself for re-appointment.
7. To appoint M/s. S.R. Batliboi & Co., Chartered Accountants, the retiring auditors as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Regd. office:
Ambala-Chandigarh Highway,
Lalru - 140 501, Punjab.

By order of the Board
For **Panacea Biotec Ltd.**

Vinod Goel
Company Secretary

30th June, 2004

NOTES:

1. **A member entitled to attend and vote, is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. The instrument appointing proxy should however, be deposited at the REGISTERED/ CORPORATE OFFICE of the Company not less than forty-eight hours before the commencement of the meeting.**
2. Shareholders are requested to bring their copy of Annual Report to the Meeting.
3. Members/Proxies should fill the Attendance Slip and hand over the same at the entrance for attending the meeting.
4. Those who hold shares in dematerialised form are requested to bring their Client ID and DP ID Nos. for easier identification of attendance at the meeting.
5. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Queries proposed to be raised at the Annual General Meeting may please be sent to the Company at its Registered/ Corporate Office, at least 7 days prior to the date of Annual General Meeting to enable the Company to compile the information and answer them in the meeting.
8. The Register of Members and Share Transfer Register will remain closed from Wednesday, the 15th day of September, 2004 to Saturday, the 18th day of September, 2004, (both days inclusive) for determining the names of members eligible for dividend, if any, declared on the Equity Shares.
9. Subject to the provisions of Section 206A of the Act, the Dividend on Equity Shares as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or before 17th October, 2004:
 - i) in respect of shares held in physical form, to those members or their nominee(s) whose names appear in the Register of Members of the Company, as on 18th September, 2004.
 - ii) in respect of shares held in the dematerialised (electronic) form, to

those 'deemed members' whose names appear on the statements of beneficial ownership furnished by the Depositories, at the end of business hours on 14th September, 2004.

10. As per the provisions of the Income Tax Act, 1961 as amended by the Finance Act, 2004, the Dividend will not be taxable in the hands of the recipient.
11. Members may please note that the Dividend Warrants shall be payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation would be payable only at specified location only. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
12. In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form are requested to intimate the Company's Registrar & Transfer Agent (RTA) viz. M/s. Skyline Financial Services Pvt. Ltd, 123, Vinoba Puri, Lajpat Nagar - II, New Delhi - 110048, under the signature of Sole/First Joint holder, the following information to be printed on the Dividend Warrants:
 - i) Name of the Sole/First joint holder
 - ii) Folio Number
 - iii) Particulars of Bank Account, viz.
 - a) Name of the Bank
 - b) Name of Branch
 - c) Complete address of the Bank with Pin Code Number.
 - d) Account Type-whether Savings (SB) or Current Account (CA).
 - e) Bank Account Number allotted by the Bank.
13. Shareholders holding Shares in electronic form may kindly note that their Bank Account details furnished by their Depositories to the Company will be printed on the Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode (or vice versa). **Shareholders who wish to change such Bank Account details are therefore, requested to advise their Depository Participants about such change, with complete details of Bank Account (for Dividend 2003-04 latest by 14th September, 2004).**
14. **Electronic Clearing Service (ECS) Facility**
In view of SEBI's Circular No. DCC/FITTCIR-3/2001 dated October 15, 2001, in respect of payment of Dividend, the Company provides the facility of ECS (direct credit into Bank Account) to all shareholders, holding Shares in electronic and physical forms, residing in the following cities:
Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, New Delhi, Nagpur, Patna and Thiruvananthapuram.
Shareholders holding shares in physical form who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form, which can be downloaded from the Company's website (www.panacea-biotec.com) under the section 'Investors Relations' or can be obtained from the Company's RTA. This service not only protects a shareholder against fraudulent interception and encashment of dividend warrants but also eliminates dependence on the postal system, loss/damage of dividend warrants in transit and correspondence relating to revalidation/issue of duplicate dividend warrants.
Requests for payment of dividend through ECS for the year 2003-04 should be lodged with the Company's RTA on or before **14th September, 2004.**
15. As provided in Section 205A and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 1997 and thereafter, which remain unpaid or unclaimed for a period of 7 years, will be transferred to the **Investor Education and Protection Fund (IEP Fund)**



NOTICE

established by the Central Government and no payments shall be made in respect of any such claims by the IEP Fund.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
1996-97	09.08.1997	18.09.2004	17.10.2004
1997-98 (Interim)	06.05.1998	15.06.2005	14.07.2005
1997-98 (Final)	24.09.1998	03.11.2005	02.12.2005
1998-99	10.07.1999	19.08.2006	17.09.2006
1999-2000 (Interim)	31.01.2000	11.03.2007	09.04.2007
1999-2000 (Final)	29.05.2000	08.07.2007	06.08.2007
2000-01	28.08.2001	25.09.2008	24.10.2008
2001-02	24.08.2002	21.09.2009	20.10.2009
2002-03	20.09.2003	18.10.2010	16.11.2010

Shareholders who have not yet encashed their dividend warrant(s) for the above said financial year(s) are requested to seek revalidation of Dividend Warrant(s) or issue of duplicate Dividend Warrant(s), as the case may be, to the Company's Corporate Office immediately. **Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed or unpaid for a period of 7 years from the dates on which they first became due for payment and no payment shall be made in respect of any such claims.**

16. Non-Resident Indian Shareholders are requested to inform the Company's RTA immediately:
 - a) the change in their residential status on return to India for permanent settlement.
 - b) the particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
17. The members holding shares in physical form, are requested to intimate any change in their address to the Company's RTA. Those holding Shares in electronic mode are requested to intimate any change in their address to their Depository Participants.
18. Those members who have not yet get their Equity Shares dematerialised, are requested to contact any of the Depository Participants in their vicinity for getting their Shares dematerialised. In case any clarification is needed in that regard, the undersigned may be contacted in person or by communication addressed at the Corporate Office of the Company.
19. **The shareholders holding Shares in physical form and who had not got exchanged their Share Certificates for Equity Shares of Rs.10/- each, into new Share Certificate(s) in respect of sub-divided Equity Shares of Re.1/- each, are requested to send the request along with the related Share Certificate(s) immediately.**
20. In all correspondence with the Company and/or the Registrar & Transfer Agent, members are requested to quote their folio numbers and in case their shares are held in the dematerialised (electronic) form, they must quote their DP ID and Client ID numbers.
21. Consequently upon introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them. The shareholders holding shares in physical form and desirous of making nominations are requested to send their requests in Form 2B (which can be obtained from the Company's RTA or downloaded from the Company's web-site www.panacea-biotec.com) to the Company's RTA.
22. The information or details pertaining to the Directors seeking re-appointment in the Annual General Meeting, to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, are furnished below:

(a) **Mr. R.L. Narasimhan**

Age : 63 Years

Qualifications : M.Sc. (Madras University)

Professional : He is a retired Govt. Official belonging to Indian Statistical Services and retired as Dy. Director General, C.S.O., Ministry of Statistics and Programme Implementation, Govt. of India, New Delhi. He had held various senior and middle level positions in various Govt. Ministries and Offices besides working at managerial position in a multi-national pharmaceutical Company before joining the Government service. His expertise lies in the field of budgeting, data management, programme evaluation & research and marketing.

He is chairman of Audit Committee and Remuneration Committee of the Board of Directors of the Company.

He is not a director of any other company.

(b) **Mr. N.N. Khamitkar**

Age : 63 Years

Qualification : B.E.-Electrical and Mechanical (Pune University), MBA (University of District of Columbia, Washington DC, USA) and Post Graduate Diploma in Public Administration, Indian Institute of Public Administration.

Professional : He is a retired Govt. Official belonging to Indian Statistical Services and retired as Dy. Director General, Ministry of Home Affairs, Govt. of India, New Delhi. He had held various senior and middle level positions in various Govt. Ministries and Offices before his retirement. His expertise lies in the field of administration, planning & procurement.

He is a member of Audit Committee of the Board of Directors of the Company.

He is not a director of any other company.

(c) **Mr. Sunil Kapoor**

Age : 47 Years

Qualifications : B.Com (H) (Shriram College of Commerce, Delhi University) and L.L.B (Delhi University).

Professional : He is an Advocate practicing as Consultant for legal and taxation matters and has a vast experience of more than 25 years in providing consultancy on legal, taxation, finance, accounts and other corporate matters. He had long association with the Company as an Income Tax Consultant and is providing consultancy on Income tax and other related matters on regular basis.

He is member of Audit Committee and Remuneration Committee of the Board of Directors of the Company.

He is a director of Golden Peacock Overseas Ltd, Stross Crystals Ltd, Residency Resorts Pvt. Ltd, Indoden Lamp Shade Ltd, Spark Healthline Pvt. Ltd. and GPL Exports Ltd.

(d) **Mr. C.C. Bhagat**

Age : 77 Years

Qualifications : Registered Pharmacist

Professional : He is a registered pharmacist engaged in the business of trading in pharmaceutical products. He has a vast experience in the field of import and trading of vaccines and other specialised drugs in India.


He is not a director of any other company.

Regd. office:
Ambala-Chandigarh Highway,
Lalru - 140 501, Punjab.

By order of the Board
For **Panacea Biotec Ltd.**

Vinod Goel
Company Secretary

30th June, 2004

**Panacea
Biotec**
In Support of Life

ANNUAL REPORT
2003 - 2004



Panacea Biotec

Mission

In Support of life

Vision

A Leading Health Management Company

Goal

To Establish Leadership in all Therapeutic Areas Through
Novel Therapies and Education

Objective

To be Globally Present as a Health Management Company

Core Competence

State-of-the-art Research & Development Centre

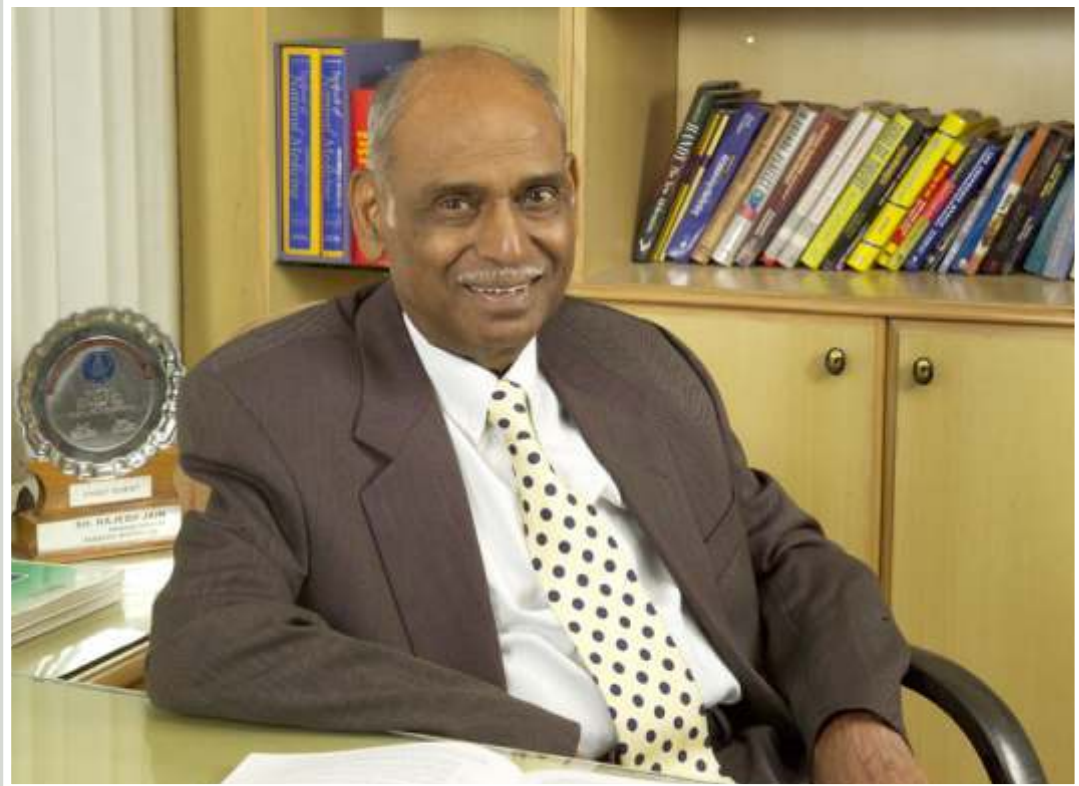
Collaborative Research & Development Programmes

Joint Ventures & Product Licensing Arrangements

Production Facilities Meeting cGMP Norms

Established Brand Equity in Many Therapeutic Areas

Best On Health.com - Health Portal

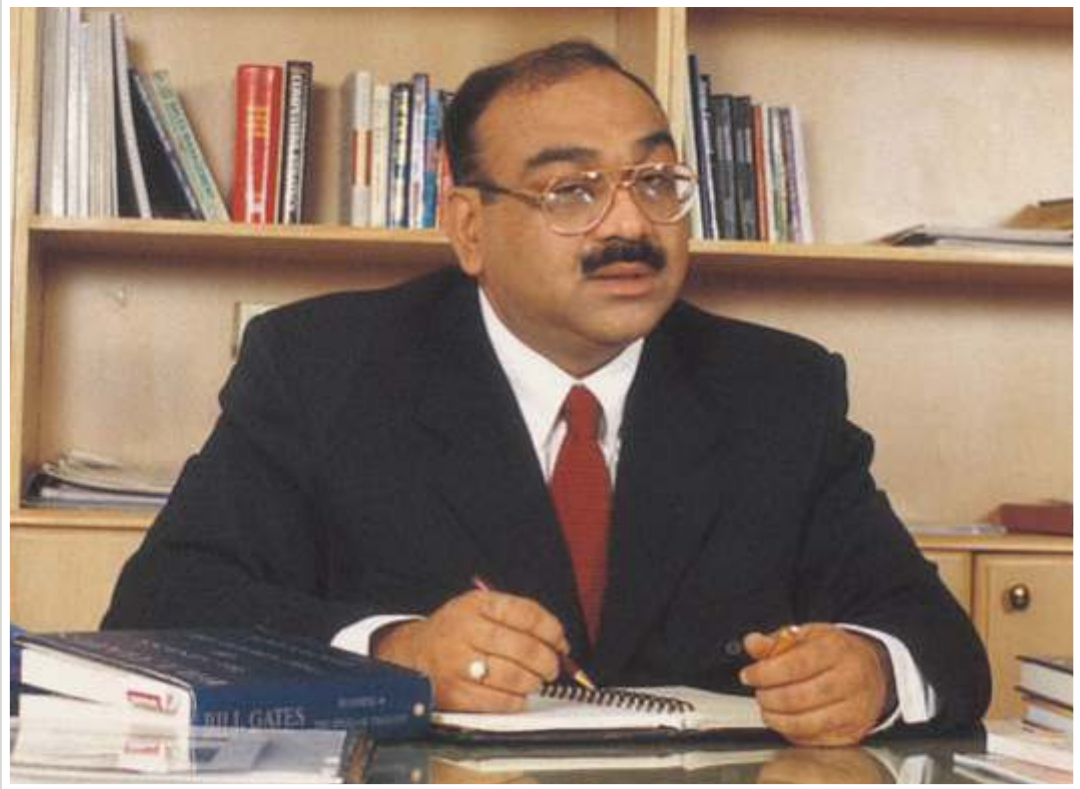


|| Panacea Biotech is a Company with a proud heritage and believes in long-term sustainable growth in ever changing and competitive environment. We are fully geared up to face challenges and march forward to realise our long-term objectives and establish strategies for sustainable growth.

The journey now is full of excitement. Research & Development in the field of Biologicals and Non-Biologicals along with business integrity, quality and compliance will continue to be at the top of our agenda to become the leader in pharmaceutical and biotechnology industry.

We at Panacea Biotech look forward to a bright future with confidence. ||

Soshil Kumar Jain
Chairman

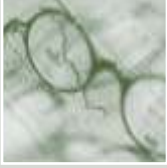


■ ■ The year 2003-04 has been marked with noticeable growth, distinguishable new brand launches, highly aggressive and enthusiastic marketing strategies, proper structuring of customer data base and continued life-cycle management of existing brands.

Uniquely positioned to seize opportunities and counter challenges, Panacea Biotec calls for a concerted and systematic efforts powered by expert planning and implementation. Your Company continues to acquire and develop organizational strengths and capabilities in its drive to become a leading "Health Management Company" on a global landscape.

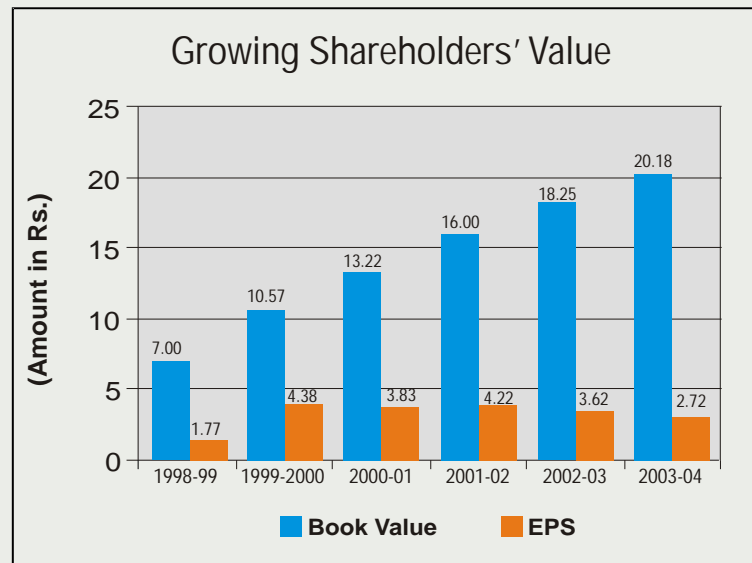
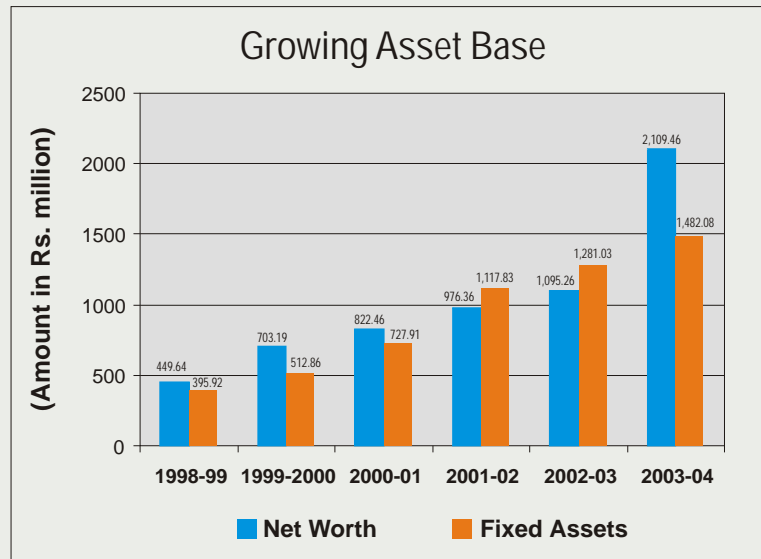
To fulfill our long-term objectives, we have the expertise, the strategy and the resources to make our future brighter year after year. ■ ■

Ravinder Jain
Managing Director



FINANCIAL HIGHLIGHTS

Panacea Biotec





FINANCIAL HIGHLIGHTS

Amount in Rs. million

Particulars	2003-04	2002-03	2001-02	2000-01	1999-2000	1998-99
Paid-up Share Capital - Equity	57.17	57.17	57.17	57.17	57.17	57.11
- Preference	957.81	53.47	62.97	67.97	100.00	50.00
Reserves and Surplus	1,113.76	1,008.73	879.28	701.64	546.02	435.55
Net Worth	2,109.46	1,095.26	976.36	822.46	703.19	449.64
Gross Fixed Assets	1,482.08	1,281.03	1,117.83	727.91	512.86	395.92
Loan Funds	1,700.65	1,318.73	1,086.03	745.40	703.51	372.95
Current Assets	3,088.08	1,906.89	1,592.26	1,281.30	1,210.83	673.68
Current Liabilities	371.61	508.58	475.96	325.83	230.59	152.88
Sales	2,715.02	2,838.58	2,833.17	2,271.11	1,943.80	1,135.40
Total Income	2,740.63	2,867.98	2,857.33	2,346.12	1,946.51	1139.26
Profit before Interest, Depreciation & Tax	425.41	551.37	588.76	604.89	431.95	177.43
As % of Sales	15.67%	19.42%	20.78%	26.63%	22.22%	15.63%
Profit before Tax	217.33	336.31	406.39	426.09	329.34	115.09
Profit after Tax	164.49	214.22	249.30	228.78	259.34	106.59
As % of Sales	6.06%	7.55%	8.80%	10.07%	13.34%	9.39%
Cash Accruals	283.17	310.54	314.50	287.57	291.03	131.39
Dividend (%) - Equity	100%	100%	100%	100%	100%	30%
Book Value (Rs.)*	20.18	18.25	16.00	13.22	10.57	7.00
Earning Per Share (EPS)*	2.72	3.62	4.22	3.83	4.38	1.77
Cash EPS*	4.80	5.31	5.36	4.86	4.94	2.41
Current Ratio	1.73	1.26	1.26	1.26	1.44	1.85
Debt Equity Ratio	0.22	0.31	0.36	0.11	0.21	0.40

* Per Equity Share of Re.1/- each





MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

The Indian Pharmaceutical industry is a success story providing employment to millions, introducing newer therapeutic modalities for ailing humanity and ensuring that essential drugs at affordable prices are available to the vast population of this sub-continent.



The Indian Pharmaceutical Industry has continued to be a fast growing industry of the decade and promises vivid future in the years to come. It is one of the key industries that play major dynamic role in the process of globalisation.

The current size of the **Indian Pharmaceutical Market** for the year 2003-04 has been Rs.197 billion growing at 7.3% in 2003 as per **ORG IMS Retail Audit**. However, the Indian Pharmaceutical Market continues to be highly competitive and fragmented with about 24,000 players. Around 300 firms in this industry are in the organised sector, 15,000 being in the small sector and the remaining being very small without any economies of scale.

During the last few years, even as the Indian Pharmaceutical companies attempted to adapt a new IPR regime that will come into effect from 2005, certain developments were noticed in the Indian Pharmaceutical Industry:

- New products launched in 2003 were the major growth drivers and accounted for around 45% of the overall market growth.
- Price competition continues to be intense with the average realisations declining marginally.
- Competition intensified in the formulation business and new product launches became aggressive.

As the product patent era is likely to open the global gate in 2005, Indian companies are aggressively geared up to launch plethora of new brands, which is likely to contribute to the growth of Pharmaceutical Industry.

Though the uncertainty of VAT introduction impacted the business in the first half of the financial year 2003-04, Indian Pharmaceutical companies are still the front-runners as their growth is much faster than those of MNCs. This leads to frog up the contribution of Indian companies from 50% in 1980 to 77% now.

Chronic therapies are growing faster (Growth 13%) than acute therapies (Growth 1%). Your Company has significant presence in highly specialised chronic therapeutic areas such as diabetes, osteoporosis, arthritis and organ transplant management.

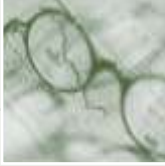
Urban markets are growing faster (Metro 8%, Class I 7%). Your Company has presence in almost all the cities in the country and the major share of its revenue comes primarily from urban markets.

Over the last few years, a unique opportunity has been unfolding for the Indian Pharmaceutical Industry. It is the opportunity to participate in the growing Global Generics Market, which is about six times the size of entire domestic formulations market. This sector is expected to increase its penetration in the world Pharmaceutical market to 7% by 2008. The sector's growth will continue to be fueled by patent expirations worth US \$80 billion through 2010.

The Global Pharmaceutical Market sales in 2003 stood at US \$ 468 billion and grew at 9%. The growth was driven by a robust drug development pipeline, ageing population and ongoing demand for innovative therapies. Almost 89% of the sales was accounted for by North America, Europe and Japan. North America (US \$ 230 billion) alone represented almost half of the entire global sales and grew at 9% in 2003 (Source: IMS).

A big feature of the industry was an increase in the incidence of mergers and acquisitions, driven by a need to :

- Strengthen the product portfolio.
- Minimise the duplication in R&D expenditure.
- Widen the marketing coverage over a broader



MANAGEMENT DISCUSSION AND ANALYSIS

geographic and distribution infrastructure.

- Shrink the gestation period required to start a new production line.

Domestic Marketing

Right from the beginning, your Company has been focusing on the domestic market. To accelerate the growth so that the Company emerges among top 20 Indian Pharmaceutical Companies in the coming years, Panacea Biotec has evolved from a division led organizational framework to a Strategic Business Unit (SBU) structure with a view to develop a greater responsibility and accountability. The Company is promoting its brands to customers by utilizing aggressive marketing strategies, value added patient education programs, continued medical education for doctors and supporting various academic and scientific conferences. Today, the customers look up to your Company as their value added partners to **safeguard the most valuable asset Life!**

In order to establish a sharp focus on newer opportunities, your Company has reorganized its formulation marketing into 5 SBUs, viz. Critical Care, Diacar, Pro, Grow and Best On Health. These SBUs enable your Company to respond to changes in the industry and market place with speed and sensitivity. As the importance of specialties customer coverage and per capita productivity is increasing in the industry, your Company has oriented SBUs dedicating to specialties like Diabetology, Cardiology, Nephrology, Orthopaedics, Dentistry, ENT, Surgery and Pediatrics. As per recent **ORG report (Feb' 04 MAT)** these specialties contribute to fast growing therapeutic segments.

- **Critical Care**

Critical Care, a super specialty SBU of your Company, is focused towards Renal Disease Management and is credited with bringing the latest, highly specialised and most sophisticated medication available in the world to India and offers variety of immuno-

Cyclosporine Oral Solution/Capsules USPTM
Panimun Bioral
A Strong Foundation of Trust, Faith and Confidence

suppressants as well as intra-venous iron. It has carved a niche for itself and enjoys a significant presence in these segments all over the country. The brand portfolio of this SBU include

- **Panimun Bioral** (Cyclosporine) Capsules & Solution,
 - **Mycept** (Mycophenolate Mofetil) Tablets & Capsules,
 - **Efecient** (Sodium Ferric Gluconate Complex in Sucrose Injection) and
 - **Pangraf** (Tacrolimus) Capsules.
- **Diacar**

Diacar SBU with dedicated marketing & sales infrastructure for diabetes and Cardiovascular disease management, is the fastest growing SBUs of your Company. Diacar stands at **4th position** in the oral anti-diabetic market and is valued at Rs.395 million (ORG Apr'04 MAT) with flagship brand

In Obese & Uncontrolled Type 2 Diabetes

GLIZID-M
Gliclazide 80mg + Metformin Hcl 500 mg



THE SYMBOL OF **M**ULTIPLE CONTROL

Glizid M ranking as **no.1 brand** in its respective product category and **Glizid** ranking as **no.2 brand** closely following the leader in its category. Moreover, **Glizid M** and **Glizid**, occupy **7th position** and **13th position** respectively amidst over 400 oral hypoglycaemic agents and are valued at Rs.215 million and Rs.115 million respectively. **Pioryl, Oglo, Betaglim and Metlong** are other brands being marketed by this SBU and enjoy a significant market presence.

CMARC (an independent Market Research Company), places Diacar at **6th position** amongst Diabetologists and **5th position** amongst Cardiologists as per their continuous Prescription Audit during Nov.'03-Feb.'04. Diacar SBU promotes the brands exclusively to the target specialists in highly potential market segments and is bound to achieve a significant leadership position in the coming years.



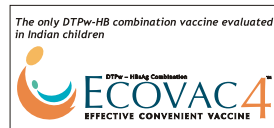
MANAGEMENT DISCUSSION AND ANALYSIS

Panacea Biotec

- **Pro**
Pro SBU of your Company promotes a portfolio of products in therapeutic segments ranging from pain management to anti-bacterials, with a special focus on Orthopedicians, Surgeons, Dentists, ENT Specialists, Pediatricians & Gastro-enterologists. The major brands in the



portfolio include Nimulid, Mygat, Alphadol, Livoluk, Nimulid Nugel, Kondro, Nimulid SP, Calcom, Alphadol C, Giro, Ocimix and Dolib. This SBU also promotes the vaccine



products such as Enivac HB (Hepatitis B Vaccine), Enivac H B S a f s y (Hepatitis B Vaccine in Auto-disable device) and Ecovac-4 tetravalent vaccine (DTP& Hep B).

- **Grow**
Grow SBU represents the quest for technology driven products in your Company's portfolio with various innovative therapeutic solutions. As the name indicates, this SBU is poised for continuous and significant future growth. A specialty driven, professionally trained and well-equipped field force is a contributing factor to this SBU. This SBU caters to clinicians across the country, which include Chest Physicians, Consultant Physicians, Gastro-enterologists and General Practitioners.



The brand portfolio of GROW SBU includes innovative brands like Xeed, Myser, Myobid, Bukatel, Nimulid-MD & Nimulid Transgel which are well differentiated from

competitors in the respective market segments viz. Anti-TB, Anti-emetics & NSAIDs. Xeed is an innovative drug delivery technology having combination of drugs for the management of tuberculosis in a fixed

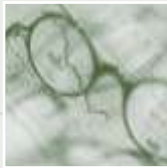


Presentation on Xeed by the Marketing Dept. in progress.

dose tablet formulation and ensures site-specific release and complete bio-availability of all active drugs leading to almost 100% cure rate in tuberculosis

- **Best on Health (BOH)**
This SBU represents a major initiative taken by your Company during the year towards integrated health management and also includes products developed through modern medicine route after extensive research. As a part of exercise of health management, a lot of emphasis is given on disease awareness and patient education through innovative tools. The brands being marketed by this SBU include ThankGod Relief Capsules, ThankGod Anytime Cream, ThankGod Ispaghula Husk, ThankGod Pain & Itch Relief Cream (for Piles Management), Well-Beeing Capsules (for menstrual pain), Toff MD (mouth-dissolving tablets for common cold & cough) and Awayke MD





MANAGEMENT DISCUSSION AND ANALYSIS



(mouth-dissolving tablet for allergy without causing drowsiness). BOH team is geared up with highly enthusiastic and aggressive marketing plan to introduce more products in India as well as other countries in the coming years. This SBU focuses on Direct To Consumer (DTC) Education on various health issues through regular advertising in press, TV etc. and medical promotion to clinicians including Gastroenterologists, Surgeons and Gynaecologists.

Market Research

In order to plan a good marketing strategy, the support of Market Research plays a vital role. Your Company has a well-organized and professionally equipped Market Research Department. Their activities involve generating Pharma Industry information and performance database, exploring market potentials, evaluating performance vis-a-vis competition and identification of customers' needs and brand related potentials before the launch of new brands. A continuous flow of information and support has become available to the entire marketing network.

Brands Review

The Company's brands are being well accepted by the medical fraternity and enjoy excellent market share in their therapeutic segments. There has been a substantial growth in the sales of well-accepted brands of the Company during the year under review as compared to the previous year.

During the year under review, **Glizid M** (anti-diabetic) has achieved record sales and stands at **No. 1** position in the **Gliclazide + Metformin** segment and **Nimulid Transgel** continues to

enjoy the top ranking in Nimesulide topical gel segment. **Nimulid**, **Nimulid DS**, **Alphadol**, **Alphadol C**, **Livoluk**, **Myser**, **Glizid**, **Pioryl** are the brands challenging the leader at **2nd** position in their respective categories and will be catching up the leadership position soon as some of the brands are registering higher growth than the market and the leaders.

New brands launched

With a view to gain continuous competitive edge, your Company had been continuously launching highly innovative and distinguishable value-added products with advance-drug delivery technologies at the right time in a sustained manner. The Company has launched number of new brands during the year viz. **Betaglim M**



(combination of Glimepiride and Metformin) positioned in cardia-diabetic segment, **Metlong 1000** (a brand extension for treatment of type 2 Diabetes), **Glizid MR 60** (a brand extension of Glizid MR for type 2 Diabetes), **Ecovac-4** (Vaccine for protection against the multiple strains of infectious agents) and **Efecient** (for iron deficiency).

The Company has also launched **ThankGod Relief Capsules**, **ThankGod Anytime Cream**



Dr. M.P. Arora and Dr. V.K. Malik, renowned surgeons, launching ThankGod after successful clinical trials. Mr. S.B. Aggarwal, AGM Mktg, BOH & Mr. Rajiv Sharma, Sr. Mgr. Mktg, BOH observing the launch proceedings.



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(a complete natural product for treatment of Haemorrhoids/ Piles), **ThankGod Pain & Itch Relief Cream** (for treatment of pain and itch), **ThankGod Isabgol Husk** (for treatment of constipation), **Well-Beeing Capsules** (for treatment of menstrual pain), **Awayke MD tablets** (for treatment of allergy) and **Toff MD tablets** (for treatment of common cold & cough) under umbrella brand name "**Best on Health**". These brands have been well accepted giving your Company value added recognition.

Further, during financial year 2004-05, your Company has added new brands to its basket viz. **Xeed 4, Xeed 3E, Xeed 2** (for treatment of tuberculosis with a state-of-the-art innovative drug delivery system), **PanGraf 0.5, PanGraf 1.0, PanGraf 5.0** (Immuno-Suppressant) and



Myelogen (for diabetic neuropathy).

As per the initial market reports, the brands launched during the current year have been well accepted in the market and are on the steady growth path. It is expected that these brands will give a significant boost to the growth of the Company in line with long-term objectives and vision of your Company.

As a part of continuous thrust to expand its brand portfolio, your Company is aggressively pursuing R&D activities for development of new products and also exploring the opportunities for entering into licensing arrangements for commercial development and marketing of products based on the technology developed by premier Research Organisations in India and abroad.

Licensing Arrangements

As you are aware, your Company has entered into License Agreement with Biotechnology Consortium of India Ltd. (BCIL) for manufacture & marketing of **Anti-Anthrax Vaccine** developed by JNU. During the year under review, Phase-I & II clinical trials of this vaccine have been initiated and your Company foresees huge opportunities in India as well as global markets in view of the increased global risks of bio-terrorism specially in US and European countries. In fact, US Government is actively working on creating enough stock-pile of Anti-Anthrax and other

vaccines and antidotes to protect its citizens from biological and chemical weapons. Your Company is having close watch on the developments and is eagerly looking forward to extend a helping hand to save the humanity from bio-terrorism. The process of product registration in USA and other countries is in progress.

During the year under review, your Company has

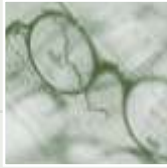


Joining hands for healthier tomorrow - Mr. Rajesh Jain, JMD with Mr. B. Bose, Sr. Mgr. NII, Mr. Vijay Dahiya, Sr. Mgr. PBL and Dr. Sandeep Basu, Director NII.

entered into arrangements with **National Institute of Immunology (NII)** for licensing of technology and processes for the production of tissue culture-derived formalin inactivated **Japanese Encephalitis Candidate Vaccine**. Japanese Encephalitis (JE), an infection of the central nervous system caused by Japanese Encephalitis Virus, is transmitted to humans by mosquitoes. The disease is wide spread in the form of frequent epidemics in different parts of India like Andhra Pradesh, Uttar Pradesh, parts of North-Eastern States, etc. and has become endemic in several areas. Pre-clinical evaluation of Tissue Culture JEV Vaccine is under process and this Vaccine will offer a great opportunity to protect vast population in the Country from this disease.

Exports

Your Company has identified brand building in exports as the major thrust area of operation and its efforts on the brand building have shown positive results. The cost and quality conscious population in developing countries has accepted your Company's brands very well. In many countries, your Company's leading brands namely **Nimulid, Nimulid Transgel, Glizid, Toff Plus, Giro** and others have been widely accepted and helpful in generating export revenues.



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Ms. Navita Khanna, Sr. Mgr, Bus. Dev. & Licensing presenting Memento to Mr. Suresh Prabhu, Hon'ble Former Minister of Power, Govt. of India visiting Company's stall at Arab Health'04 at Dubai. Mr. B.G. Mohandas, President Indian Pharmaceutical Forum, UAE look on.

Your Company has broadened its global presence by exporting brands to new countries like Cambodia, Myanmar, Bangladesh, Malaysia, Thailand and Fiji, etc. besides carving a niche in the existing countries in CIS, African, Middle East and Asian Sub-continent region. Your Company has also started the process of exporting its natural range of products to various countries in the developed markets.

As a result of all these initiatives taken by the Company during the year under review, the Company has achieved exports to the tune of Rs.143 million, recording a growth of more than 13% as against exports of Rs.124 million during previous year.

With a view to further enhance its presence in export markets, your Company has obtained registration for its formulation products in existing markets as well as new markets, e.g. **West Indies, Thailand and Uzbekistan**. Your Company has also applied for registration of **Panimun**



Bioral and **Mycept** Capsules in **Brazil**. For supply of **Panimun**

Bioral Capsules to Brazil, your Company had entered into contract manufacturing arrangement with third party having manufacturing facility as per the requirement of Brazilian Regulatory Authority (BRA). The BRA has already inspected the said manufacturing facility regarding compliance of cGMP requirements and the export of products will commence immediately upon registration of product in Brazil.

The registration of additional products of your

Company for pharmaceuticals and vaccines in various countries will create scope for additional volume of business, which will further strengthen your Company's profitability in the coming years. In order to expand its marketing base in more countries, your Company also intends to make marketing & distribution alliance with local companies in newer countries. In present countries of export, your Company is planning to add number of new products to its basket.



Operating Highlights

- **Turnover**

During the year under review, the total turnover of your Company has been Rs.2,715 million as against Rs.2,839 million in the previous year. The Company has achieved export turnover of Rs.1,616 million (including deemed export of Vaccines of Rs.1,473 million) as against Rs.1,505 million (including deemed export of Rs.1,381 million).

The sales of branded formulations increased to Rs.1,115 million as against Rs.993 million during the previous year thus recording a growth of 12.28% over the previous year, much higher than the industry growth of 7.3%.

The income from the Research & Development services has been Rs.6 million as against Rs.12 million during the previous year.

- **Operating Costs**

The total cost of production has been Rs.1,402 million as against Rs.1,408 million during previous year. The personnel expenses were Rs.250 million as against Rs.236 million



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and other expenses have been Rs.531 million as against Rs.408 million during the previous year.

The depreciation has been Rs.119 million as against Rs.96 million during the previous year registering an increase of 24% due to inter-alia, commencement of commercial production in Vaccine Plant at Lalru during the year under review.

⊕ Financial Expenses

The financial expenses have reduced considerably to Rs.88 million from Rs.119 million in the previous year, due to inter-alia, decrease in interest rates, swapping of high cost Rupee Loans into Foreign Currency Loans and repayment of high cost loans out of the funds raised by issue of 4.5% Non-Convertible Redeemable Cumulative Preference Shares on private placement basis. However, as the said Preference Shares were issued during March, 2004 only, the full impact of such repayment of high cost borrowings will be evident in the current as well as forthcoming financial years.

● R & D Expenditure

Research is a way of life at Panacea Biotec. During the year under review, the R&D expenditure has increased to Rs.120 million



as against Rs.95 million during the previous year recording an increase of more than 25%. The said expenditure in terms of turnover had been 4.4% as against 3.3% during previous year. The increase in R&D expenditure is in line with the Company's strategy of expanding its scientific strength by working tirelessly to find new cures and drug delivery systems and will ensure bright future for your Company.

● Selling & Distribution Expenses

During the year under review, the selling and distribution expenses have increased to Rs.151 million from Rs.117 million during previous year, due to inter-alia, increase in advertising expenses in respect of consumer education products and general increase in sales promotion & marketing expenses.

● Income Tax

Provision for taxation has been Rs.53 million as against Rs.135 million during the previous year. The deferred tax liability has been



Rs.14 million against deferred tax asset of Rs.13 million during the previous year. The Company has been regular in paying taxes.

● Profits

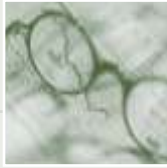
As a result of the marginal decrease in sales and the increase in expenses due to inter-alia, launch of new products and upgradation of Vaccines formulation facilities at New Delhi for meeting WHO requirements, the profit before tax for the year under review stands at Rs.217 million from Rs.336 million in the previous year. The net profit after tax has been Rs.164 million as against Rs.214 million in the previous year.

● Dividend

The Company has been consistent in paying dividend to its shareholders and proposes to pay **100% dividend** to its Equity Shareholders for **5th year in a row**.

● Fixed Assets

There has been a remarkable growth in the assets block of your Company. The gross block of fixed assets has increased to Rs.1,482 million as against Rs.1,281 million as at the end of previous year. The net block of fixed assets has increased from Rs. 963 million to Rs.1,055 million.



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- **Investments**

The investments in the securities of other companies stood at Rs.39 million as against Rs.53 million during previous year. During the year under review, the Company's wholly-owned subsidiary at Isle of Man, U.K. was wound-up and the share capital therein was realised. Further, the Company also sold 10,445 Equity Shares of IDBI Bank Ltd.

- **Net Worth**

The net worth of the Company has improved to Rs.2,109 million from Rs.1,095 million as at the end of previous year.

- **Book Value & Earning per Share**

The Book Value of an Equity Share (of Re.1/- each) as on 31st March, 2004 is Rs.20.18 as against Rs.18.25 last year. The Earning per Share (EPS) has been Rs.2.72 as against Rs.3.62 last year.

Research & Development

Fervent Research and Development efforts have always been the cornerstone for success at your Company. Your Company has 3 modern state of the art R & D centers with more than 110 scientists dedicated to carry out extensive research in varied fields. Your company's R & D Center at Lalru (Punjab) is spread across 20,000 sq. ft., equipped with some of the most modern and sophisticated scientific equipments and supported by scientists with specialization at par with the best laboratories in the world. The R & D Center is approved by Department of Scientific and Industrial Research (DSIR), Ministry of Science & Technology, Government of India.

Concerted efforts among the various research departments have led to the development and



A panoramic view of R & D Centre at Lalru, Punjab

launch of a large number of innovative products using advanced pharmaceutical technologies. The focused research efforts have led to the filing of 22 patent applications during the year under review while a number of older patent applications have progressed to publication and grant.

Specific areas in which R & D activities are being carried out

- **Formulation Research and Development**

Formulation development in different therapeutic categories/ classes, including anti-tubercular, anti-diabetic, anti-osteoporosis, immuno-suppressants and Pain management etc., is carried out. Various patentable formulations for domestic and developed markets are also being developed.

- **Natural Products R & D**

Development of Dietary supplements, herbal and natural products with the use of various



Euphorbia prostrata herbal plants, used in ThankGod, being grown at PBL's farms.

types of natural ingredients in the form of tablets, capsules and gel are in progress.

- **Chemical Research and Development**

Synthesis and process development for the active pharmaceutical ingredients with diverse structures, preparation of reference standards, impurities and related compounds, characterization and structural elucidation of active pharmaceutical ingredients, standardization of processes, cost optimization and technology transfer to the contract manufacturers.

Research and Development is continuing on anti-hypertensive, anti-viral, anti-hyperlipoproteinemic, COX-2 and LIPOX-5,



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anti-benign prostatic hyperplasia, anti-depressant, glucocorticoid and aldose reductase inhibitor.

- **Analytical Research and Development**

Focus is on development of analytical procedures for finished products, active pharmaceutical products, natural products and new chemical entity using modern analytical techniques like HPLC, LCMS/MS, GC, UV-Visible spectrophotometer, FTIR spectrophotometer, Potentiometry Titrations, Gravimetric methods and colour reactions. Special emphasis is placed on drug release, impurity profiling and degradation products.

- **Bio-Analytical Research**

Supporting research activities like Novel Drug Delivery Research, ADME (absorption, distribution, metabolism and extraction) studies, Bioequivalence studies are carried out as per international standards with state-of-art LC-MS/MS machine.

- **Pharmacology Research**

Research is focusing on development of newer animal models for screening of raw, finished formulations. A regular contribution to the scientific community through research publications in peer reviewed national and international journals.

- **Advanced Drug Delivery Research**

Development of novel and advanced drug delivery systems including oral sustained, extended and controlled release systems, solubilization and bio-availability improvement, self-emulsifying drug delivery systems, muco- and bio-adhesive delivery systems, polymeric nano-particulate and

micro-particulate systems, pulmonary, topical and other alternative drug delivery systems.

Ongoing Research Projects

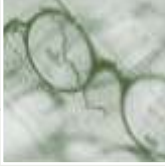
Some of the ongoing research projects of your Company include:

- Gel-based skin-retentive topical delivery system of anti-fungal drugs
- Polymer nano-particle based oral and ocular drug delivery system for highly variable drugs
- Oral controlled release patent non-infringing platform technology for various drugs
- Pulmonary drug delivery systems for asthma or COPD
- Development of intravenous Injection technology for poorly soluble drugs
- Drug delivery systems for depot therapy of antigens based upon micro particulate technology
- Development of bio-conjugates based antigen adjuvant formulation and their use in multiple vaccination
- Development and identification of novel nanoparticle based immuno adjuvant
- Development and characterization of novel virosome based system for specific delivery of bioactive(s) to liver tropics

Research Patents Granted

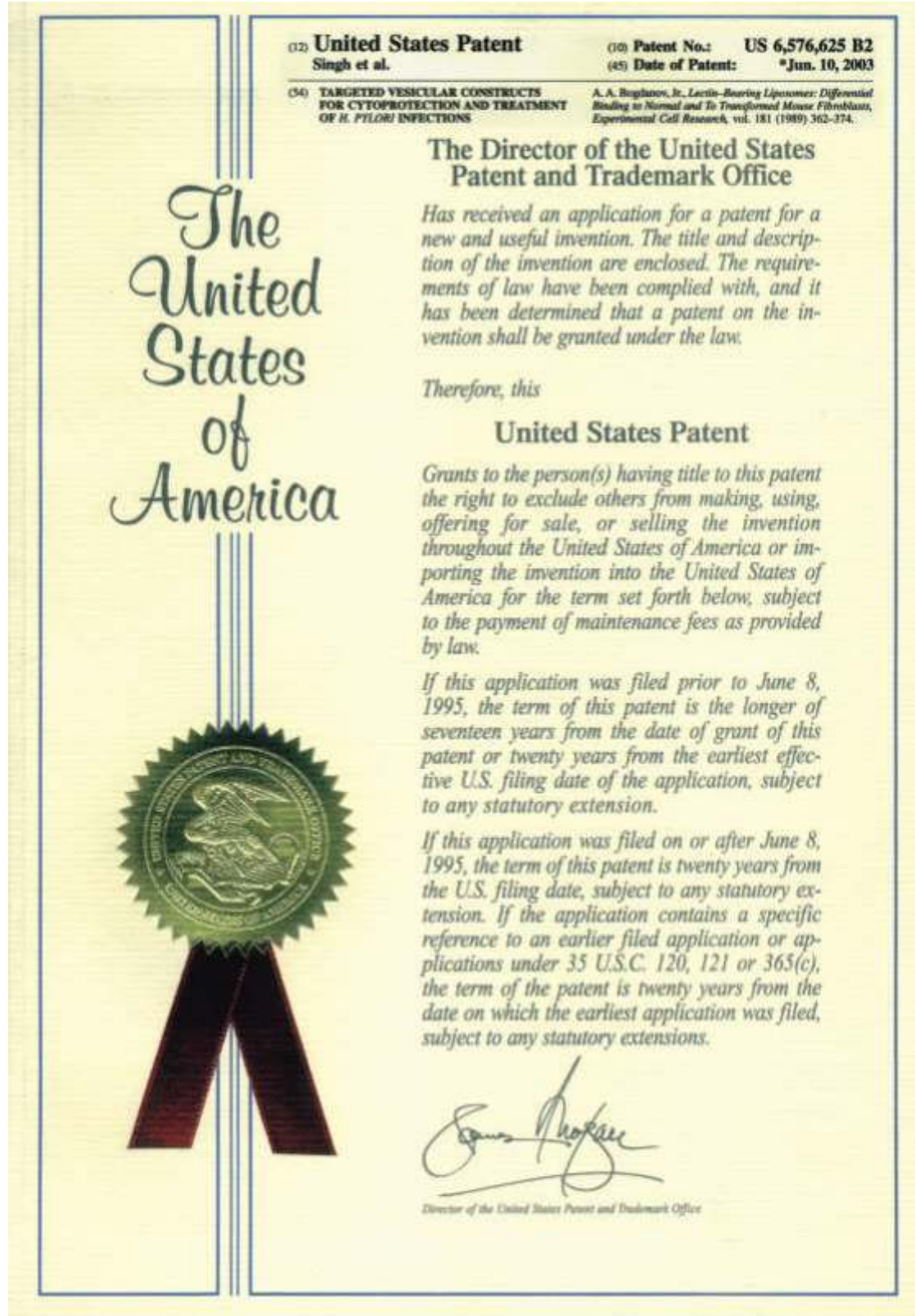
The research conducted at the Lalru Centre has led to the successful filing and grant of patents world wide in different categories. During the year under review, following 12 patents were granted worldwide in different categories:

- A novel Antispasmodic and anti-inflammatory composition and a process for the manufacture thereof.
- Pharmaceutical compositions containing Cyclosporine.
- Parenteral Miscible Non-intensely coloured injectable composition of Non-steroidal Anti-inflammatory Drugs.
- A Novel Anti-Allergy-Anti-inflammatory Composition (Japan, Srilanka & Europe).



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Panacea Biotec





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- Targetted Vesicular Constructs for Cyto-Protection and treatment of H.Pylori infection.
- Controlled Release Nimesulide.
- Therapeutic Anti-inflammatory Analgesic Composition containing Nimesulide for Intra muscular administration and a process to manufacture thereof.
- Pharmaceutical composition for the control and treatment of Anorectal and colonic diseases.

Status of R & D activities being carried on in collaboration with other company(ies)

Formulation R & D has a contract with a European Pharma major for the development of an Anti-hypertensive formulation. The bioavailability and clinical trial results of your Company's formulations are encouraging. Work on solvent free tablet formulation is in progress and extension studies of clinical supplies are also in progress.

Results of R & D Activities

• Formulation Research and Development

More than 25 brands were launched in the market in various therapeutic segments including Osteoporosis, Diabetes, Immuno-suppressants and pain management and various other products are in pipeline and will be ready for launch over a period of time.

• Natural Products Research and Development

Natural products like ThankGod (anti-hemorrhoid), Well-Beeing (for menstrual pain) etc. were launched under the new strategic business unit (SBU) named Best On Health.

• Chemical Research and Development

Research is continuing on projects that include Tetrazole derivatives, Azetidinone derivative, Adenine derivative, Pyrimidine derivative, Quinoline Carboxamide derivative, Naphthyloxy thiophene propylamine derivative (Anti-depressant), Pregnadiene derivative and Imidazolidone derivative.

• Advanced Drug Delivery Research

- The department has successfully developed patent non-infringing



Formulations of anti-fungal drugs.

- Development of polymeric delivery system for oral delivery of poorly soluble drugs with an aim to increase their bioavailability and to control high variability associated with these drugs.
- Dry powder inhalation technology for a diverse range of drugs for the treatment of COPD and asthma has been developed.
- Depot formulation of multiple doses vaccine has been prepared.
- Bio-conjugates are prepared to enhance the antigen presentation and immunoadjuvant effect of otherwise non-immunogenic haptens.

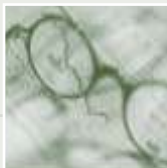
Clinical Research

In this modern era of cutting edge research, changing patent laws and evolving technologies in pharmaceuticals, Clinical Research has a vital role to play in drug discovery and therefore, private entrepreneurs and institutions are investing funds to create the infrastructural facility for clinical research.

There is a strong case for Indian biotech as well as biopharmaceutical firms to tap the market for global research. The country has a huge qualified manpower and several research institutions. The Mashelkar committee has given the right suggestions so that India can meet the challenges in the patenting era and become a global player in clinical research.

To meet the world standards and to be pioneers in pharmaceuticals and biotechnology, clinical research became an integral part of Panacea Biotec since last 9 years.

The back up provided by these clinical trials for vaccines, immuno-suppressants, anti-diabetics,



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Anti-tubercular, pain management, and gastro products has further strengthened the position of the company within the medical fraternity. 12 clinical trials, 7 post marketing surveillance (Phase IV) studies, and 7 bio-availability/ Bio-equivalence (BA/BE) studies have been completed during the financial year 2003-04

Clinical Research Department has helped in development of many products and has provided with authenticated and accurate scientific information and has helped in answering medical queries from our esteemed customers. Clinical Research department has collaborated with the best medical institutions like AIIMS (New Delhi), PGIMER (Chandigarh), DMCH (Ludhiana), SMS (Jaipur), CMC (Vellore), LNJP (New Delhi), Apollo (New Delhi), Jaslok (Mumbai), State Medical Colleges and other institutions of repute to generate authenticated and creditable clinical data for various new products of the company. It has been instrumental in generating world-class scientific monographs, package inserts, art materials and scientific information for dossier submission. The Clinical Research Department has more than 80 publications on different brands to their credit both in national and international journals.

R&D Expansion

The Company has made strong progress in R&D during these years. Recognizing the vital role played by R&D in the overall operations and future progress of the company, great emphasis is being accorded to this function. The company has also decided to invest about Rs.350 million for setting up new vaccine R&D facilities at Delhi and Chemical Research Division at Mohali in next 2-3 years. This investment will help in developing cost-effective technologies for high value active ingredients.

New Initiatives in R&D

In Formulation Research and Development department, many new types of formulation are under development which include tablet-in-tablet formulation, taste masked delivery systems, controlled release antibiotics, timed release proton pump inhibitor, prokinetic agent, and Inlay tablets etc.



The Chemical Research and Development has initiated synthesis of various new organic molecules having multifarious biological activities, which includes Purification procedures, Isolation and Identification of minor components from complex mixtures, preparation of samples for pharmacologic /toxicologic studies and structure elucidation.

Chemical R & D has also initiated activities in the following areas:

- 505(b)(2) filing: Polymorph studies, salt formation, pro-drug formation and chiral switches.
- Drug discovery: New Improved Chemical Entities (NICE) and idea generation on focused libraries towards drug based research with the application of computational chemistry.

New initiatives have been taken for the future development of drug delivery systems related to anti-cancer, HIV, antibiotics, anti-microbial and immuno-modulators. Site-specific, targeted, stimuli-responsive, bio-mechanical, bio-physical, pulsatile, timed release and therapy-specific drug delivery systems are under various stages of development for either product specific or platform technology development.

Advanced Drug Delivery Research has been successful in identifying certain concepts and platform technologies and development work and proof of concept are either established or experimental work is done to assure the usefulness of the innovations. This has been a pivotal aim in lieu to create intellectual property base to the organization.

Manufacturing Facilities

The manufacturing facilities of your Company are



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situated at Badarpur (New Delhi), Okhla (New Delhi) and Lalru (Punjab). A pharmaceutical formulation plant is being set up at Baddi (Himachal Pradesh) which will comply with regulatory requirement of **USFDA, MHRA, MCC-South Africa, WHO** and other regulatory agencies of the world and also allow the Company to avail fiscal incentives provided by the Government.

- **Pharmaceutical formulation facility at New Delhi**

As you are aware, during last year, a group of world renowned auditors along with the



representative of **WHO Geneva** visited the formulations manufacturing facility and found infrastructure and operations perfect and much more than the required standards and certified that our pharmaceutical dosage forms facility at New Delhi complies the European Union Standards for Good Manufacturing Practices and Good Laboratory Practices. With this, your Company has been included in the list of preferred suppliers for the Global Program to eliminate Lymphatic Filariasis and will enable the Company to enter into various development projects of **WHO Health Programmes**.

The **Lymphatic Filariasis Elimination Programme (FIL)** is one of the various health programmes being catered by WHO. For this Health Programme **WHO** purchases **Diethylcarbamazine Citrate (DEC) Tablets** from its pre-qualified suppliers from the world over.

During the year under review, your Company continued making necessary investments in this facility, as a part of its manufacturing optimization and cost savings measures and

the following initiatives were successfully implemented:

- Upgradation of facility to meet the requirements of natural products like ThankGod Pain and Itch Relief Cream, Toff MD and Awayke MD.
 - Installation of Press Coat Machine for Double Layer and Inlay Tablets
 - Upgradation of HVAC systems to meet the cGMP requirements.
 - Upgradation of plant systems with an ongoing cGMP study circles for meeting the latest cGMP requirements.
- **Vaccines Formulation Plant at New Delhi**

Your Company has made investment in existing facilities for Vaccines Formulation at New Delhi, the modernisation/ upgradation and investment in plant and machinery during the year under review, has enabled your Company to obtain **cGMP Certification** as per **WHO** guidelines and accreditation by **WHO, Geneva** for Vaccine Plant for procurement by **UNICEF**.

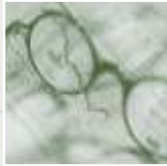


A view of Vaccine Formulation Plant at New Delhi.

Also, during the year under review, the following new initiatives were successfully implemented at Vaccines Plant at New Delhi:

- Increase in in-house vaccine storage capacity to 180 mds by way of installation of new additional in-house cold rooms.
- Addition of new areas for retained samples storage, stability studies and sterility laboratory in the Quality Control Department.

Further, during the year under review, the



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Company initiated steps for setting up of new state-of-the-art vaccine filling facility in compliance with **cGMP requirements** for filling of various biotechnology based injectable vaccines viz. Hepatitis B, Anthrax and other combination vaccines including Pentavalent Vaccine (DTwP-HepB-Hib) and Ecovac Tetravalent (DTwP-Hib). Also, a new filling line separate area is being provided for Pre-filled injection device in the new facility. The new facility has been commissioned during the current year with an installed capacity of 3.25 million Vials per annum.

- **Natural Products Formulation Facility at Lalru, Punjab**

Natural Products Formulation facility at Lalru has been set up with a view to commercially exploit the herbal / natural products being made available by the Company's R & D facilities for developed markets as well as domestic market. The focus is towards adding high value products to existing brand range for manufacture at Lalru and to equip the facility with high level of automation as per latest international standards acceptable worldwide. During the year under review, the Production Facility for manufacture of natural products in the form of tablets, capsules and ointments has been commissioned.

- **Recombinant Bacterial Bulk Vaccines Facility at Lalru, Punjab**

As you are aware, your Company has, as a part of backward integration project, set-up a Hepatitis B (rDNA) bulk virus production facility with Cuban Technology at Lalru. This plant has been located, designed,



Bulk Vaccine Plant at Lalru

constructed, adapted and maintained to suit production of Hepatitis B Recombinant Bulk Vaccine and other biotechnology based products following current Good Manufacturing Practices (cGMPs) prescribed by WHO and the US FDA. The regulatory approvals for the initial batches produced as trial production, has been obtained and the commercial production of Hepatitis B Recombinant Bulk Vaccines and Antigens has started during the year under review.

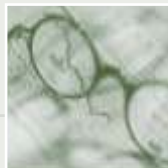
Animal House: As you are aware, as a move towards the modernization and expansion, your Company has undertaken an expansion project to plan for manufacture of combination vaccines for Indian and international markets, which shall comply with and exceed the latest requirements for



cGMP as per the World Health Organization (WHO), Geneva. Very large number of small laboratory animals like guinea pigs, mice and rabbits are required for testing these vaccines. Accordingly, your Company is setting-up new Animal House facility as per the guidelines of **CPCSEA** for breeding sufficient number of animals plans for upgradation and modernization of testing of vaccines as per international requirements for which capital outlay of about Rs.10 Crore is budgeted.

- **Pharmaceutical Formulation Facility at Baddi, Himachal Pradesh**

In order to align company's vision for achieving growth through brand building in exports to developed countries, your Company is setting up a formulation plant at Baddi, Dist. Solan, Himachal Pradesh, which will comply with regulatory requirement of



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USFDA, MHRA, MCC-South Africa, WHO and other regulatory agencies of the world. The facility is being designed to produce tablets, capsules and ointments with installed capacities of 1.2 billion tablets, 120 million capsules and 12 million ointment tubes per annum and the plant is expected to be commissioned in first half of Financial Year 2004 - 05.

The Company has also plans to set up a new dedicated facilities for manufacture of natural products and **Xeed Tablets** (a new hi-tech product based on advanced drug delivery system for tuberculosis) at Baddi. The new facility for these products is also expected to be commissioned during next fiscal year. This state of the art facility will significantly enhance company's opportunities to venture into developed markets.

In this first phase the project outlay is about Rs.450 million and in second phase the company plans to set up facility for other products viz. Soft Gelatin Capsules/Injectables.

Quality Assurance

Your Directors believe that the quality can only be achieved by having a highly qualified, technologically & dedicated team, quality material and



best machinery & equipments. Quality can never be an after thought or an accident. It is an outcome of a conscious and deliberate effort. Your Company's philosophy has been to adhere to strict standards equivalent to or excelling prescribed international standards. In order to build quality brands, your Company has scouted for and studied the state of art manufacturing

processes world-wide and has installed the globally best available equipments and machinery in our plants. In fact, last year a group of world-renowned auditors visited Company's manufacturing facility at New Delhi along with representative of WHO, Geneva and confirmed the infrastructure and operations perfect and much more than the required standards.

Future Outlook

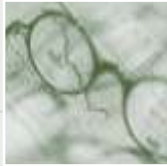
Your Company visualizes its long-term strategy as venturing into new opportunities available in the horizon in disease and health management. With a special focus on biotechnology, your Company has been making concerted efforts to improve the repertoire of its vaccines and other pharmaceutical products.

The Company's path-breaking innovations have kept it in the vanguard of the Indian Pharmaceutical Industry. Making substantial headways in the international market as well, **Panacea Biotec** is poised to become a reckoning global entity.

Growth Prospects - With IPR coming into play in 2005, many Indian Pharmaceutical companies are gearing for the genome battle. India has a large market for bio-tech based products, most of these are imported.

It is expected to grow to US \$ 4.5 billion by 2010. Diagnostic markets are still untapped with latest cutting edge technologies using molecular science. With increased funding for biotech activities by foreign investors and large Indian corporates and also the growing presence of many MNCs in basic and clinical research due to cost advantage for new drug development, India will be the destiny for larger portion of future drug research.

As a matter of fact, drug prices in India were never high, primarily because of the absence of product patents, government intervention in the form of DPCO, availability of a large pool of technically skilled cost competitive resources and the availability of research infrastructure in government laboratories. According to studies, the cost of manufacturing drugs in India is 45 percent lower than generic drug manufacturers in the West. The upshot is the availability of cost effective drugs for the Indian population.



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Presently, latest drugs are available in India at a much lower price, when compared to most developed countries and many other developing ones.

New legislation is also expected in the OTC segment increasing the number of brands in the Over the Counter (OTC) segment. Forecasts indicate that the OTC market will continue to grow at 2.5% across Europe and 6.4 % across the U.S. by 2006.

The regulated US and European Union, which constitute almost 75% of the world Pharmaceutical markets, have thrown upon huge opportunities for the Indian Pharmaceutical companies. The opportunities relates to **generic markets and clinical outsourcing activities**. With the blockbuster drugs going off patent/turning generic in the regulated markets of US & Europe, the generic markets are on the roll. The Indian Companies are filing **Abbreviated New Drug Application (ANDAs) / Drug Master files (DMFs)** to serve these markets in terms of selling formulations drugs / sourcing bulk drugs to the generic companies respectively, this is being backed by getting their facilities approved by regulatory agencies of regulated markets viz. *USFDA, UKMCA etc.*

The product patent regime in India will lead to more favourable climate for MNC Pharmaceutical companies to enter into collaborative research with Indian Companies. Given the relative ease of patent registration and ethnic diversity, India will be a favoured destination for the clinical trials market. Clinical Research Outsourcing is a potential US\$ 10 billion market, where clinical trials will be conducted in Indian facilities. The beginning has already been made and momentum will only increase.

Your Company is taking necessary steps in line with the emerging opportunities in Pharmaceutical and biotechnology sector and realigning its focus continuously as per the needs keeping in view the prime objectives of consistent growth and increase in shareholders' value through value added research efforts.

Thus, your Company's short-term and long-term outlook appears encouraging for the following reasons:

- A strong research focus translating into

pioneering and improving existing products as well as completely new ones.

- The aggressive launch of new branded formulations and vaccines.
- A wider doctor reach through field force expansion, aggressive marketing and Customer Relationship Management (CRM) initiatives.
- The stronger emphasis on brand building in exports.



Opportunities

- **Low per capita expenditure on Pharmaceuticals**

India has one of the lowest per capita healthcare expenditure in the world. The per capita expenditure on Pharmaceuticals in India is only US \$ 4, well below USA, UK, Canada and Germany. This is indicative of the potential growth over the coming years.

- **Privatisation of Insurance**

Presently only two million Indians are medically insured, even as a recent study indicates that 75% are potentially insurable. Insurance companies have estimated that household health care spending will rise from two percent to six percent over the coming years, translating into a bigger growth of India's Pharmaceutical industry.

- **Rising Income Levels**

Rising income and a growing number of elderly, sustained by advances in hygiene and medicines are driving a shift in the market from vitamins, anti-infectives and



MANAGEMENT DISCUSSION AND ANALYSIS

gastrointestinal treatments towards product that treats cardiovascular problems, central nervous systems disorders and other complex treatments. By 2010, cardiovascular and central nervous systems treatment are expected to account for 33%. This is expected to result faster growth for Pharmaceutical Companies.

- **Rural Opportunities**

Presently, 76% of the Indian Pharmaceutical offtake transpire in urban centers. The four metros namely Delhi, Mumbai, Kolkatta and Chennai account for about one - fourth of the entire Indian Pharmaceutical Market. The market is concentrated in areas where the level of infrastructure development is relatively high. As the penetration levels improve, a broader growth for India's Pharmaceutical Industry is expected.

- **Herbal Supplements/ Natural products**

People are diversifying towards alternative, safer and natural medicines. In United States the market for herbal supplements is now approaching \$4 billion a year, in Germany market is \$ 3.5 billion, in France it is \$ 1.8



billion and Italy \$ 0.7 billion. The overall market for these products is forecast to rise to \$ 6.9 billion in 2006.

Risks and Concern

- **R&D Expenditure and Corresponding Benefit**

Even though the Company has stepped up spending on the basic research and developments of new markets in regulated

and semi-regulated markets, there is no certainty of the benefit from this expenditure.

- **Risks from International Operations**

As the Company steps up its international operations, the ensuing risk from operating in foreign countries also grows higher. This includes inter-alia political risk, credit risk, litigation risk and currency risk.

- **Competitive Risk**

The Indian Pharmaceutical Industry is highly competitive and this may lead to the lowering of turnover and margins.

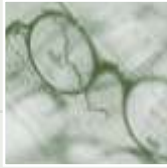
- **Regulatory Risk**

The Indian Pharmaceutical Industry is exposed to the risk related to Drug Price Control Order (DPCO) and the Indian Patent Act. DPCO could result in lowering pricing of certain formulations manufactured from time to time. The Indian Patent Act will not recognize "Process Patent" for drugs launched after 2005 and will recognize only "Product Patent". Besides any change in excise duty, customs duty and export incentive could impact the earnings.

Recognitions

To remain competitive in such a scenario, your Company is continuously following the strategy to introduce brands of international quality. As a result your Company today enjoys a commanding position amongst the Pharmaceutical Companies in India. Your Company's consistent efforts and performance has been acknowledged by numerous independent rating and survey agencies:

- Your Company has achieved **38th** rank among Pharmaceutical companies of India in Prescription Audit (as per **CMARC- Mar.'04**) and **42nd** rank as per **ORG IMS (MAT March'2004)**. Both ORG and CMARC are the leading independent market research companies in India.
- Company is ranked **2nd** amongst the **biotechnology companies in India**. (Source Biospectrum, Vol.-1, Issue 7th September, 2003).
- Your Company has been placed amongst



MANAGEMENT DISCUSSION AND ANALYSIS

“India’s most valuable companies” and “India’s biggest wealth creators”. (Source: The Fifth BT-Stern ranking of Companies, published in Business Today, 11th April, 2004 issue).

- Company features among ‘India’s Top 500 Companies, 2003’, a high profile reference compendium on prestigious Indian companies, published by the world renowned US based analyst, **Dun & Bradstreet (D&B)**.

Contributions for development of Biotechnology & Vaccines Sector

As a part of continuous thrust on development of biotechnology sector in India, your Company has been actively involved in various activities in co-ordination with various industry chambers, governments and academic & research organisations. In recognition of leadership



Mr. Rajesh Jain, JMD sharing thoughts at Conference on Biotechnology. Sitting on dias : Ms. Kiran Mazumdar Shaw, CMD, Biocon India, Dr. Manju Sharma, Ex-Secretary, DBT, Govt. of India & Mr. Vikram Bakshi, Chairman, CII Delhi State Council

qualities and significant contributions made by Mr. Rajesh Jain, Joint Managing Director of your Company in biotechnology sector, he has been appointed as **Chairman, Biotechnology Sub-Committee of CII, Northern Chapter**. During the year, Mr. Rajesh Jain as the chairman of said Committee of CII organised conferences & seminars on Biotechnology including **Conference on Potential & Emerging Opportunities in Biotechnology (North India: The Biotech Gateway)** and **Conference on Genomics (Emerge Tech 2003)** at New Delhi.

He is an ardent supporter of adopting best practices being followed in India and elsewhere in the world and with a view to encourage best practices and applications in biotechnology, he



Mr. Rajesh Jain, JMD with Mr. Bill Gates of Microsoft Corporation, USA and others at roundtable discussion on immunization at Hyderabad

led **Biotechnology Mission** of group of professionals from biotechnology industry to select companies and Research Organisations in Biotechnology sector in Bangalore under the banner of CII.

In view of his vast contribution in Bio-technology sector, Mr. Rajesh Jain has been nominated to the following positions :

- Vice President of Association of Biotechnology Led Enterprises (ABLE), Northern Region.
- Member of Punjab Bio-technology Promotion Board, Govt. of Punjab.
- Member of Joint Task Force CII, Govt. of Uttaranchal, and
- Member of CII Task Force for advising Haryana Govt. on setting up Biotec Park at Manesar.



Mr. Rajesh Jain, JMD with Dr. Benny Kalligis, Director, P.T. Bio Farma, Indonesia, Dr. Luis H Martinez, Director General, CIGB, Cuba, Dr. Gro H Brundtland former Director General, WHO and Dr. Abdullah Markusi, President-Director, P.T. Bio Farma at 2nd GAVI Partners' Meeting in Senegal



MANAGEMENT DISCUSSION AND ANALYSIS

National/International conferences

The Company regularly participates in the national/ international conferences in order to share information, technology and knowledge and to expose its product range to the medical fraternity all over the country/ world. These have a direct impact on strengthening customer database and exploring new opportunities for national and international co-operation leading to improved sales and profitability of the Company.

The Company, inter-alia, participated in the following conferences during the year:

- World Congress of Nephrology at Berlin, Germany in June'03.



Mr. Yogesh Puri, GM Critical Care with Dr. Robert W Schrier, a world renowned Nephrologist, Ms. Shrier & Dr. Navjeet Singh, Mgr Medical Services at World Congress of Nephrology in Germany

- 14th Annual Conference of Indian Society of Organ Transplantation (ISOT) at Hyderabad in August 2003.
- 8th Congress of Asian Society of Transplantation at Kuala Lumpur in September'03.
- CPhI - Worldwide 2003 (Convention of Pharmaceuticals Ingredients) at Frankfurt, Germany in October'03
- CphI - China at Shanghai in December'03.
- 34th Annual Conference of Indian Society of Nephrology at Visakhapatnam in December'03.
- ARAB Health 2004 - A health care event at Dubai in January'04.
- HEMODIALYSIS - 2004 (Inaugural Conference

of Indian Society of Hemodialysis) at New Delhi in March'04.

- Herbal Asia 2004- An event for Herbal Products at Kuala Lumpur, Malaysia in March'2004.

Internal Audit and Control

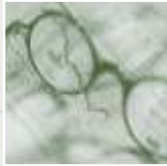
Your Company's internal control systems and procedures are adequate and commensurate with the size of operations. Standard Operating Procedures have been prepared and modified suitably to match the needs with the change. The internal control system lays down policies, authorisation and approval procedures. M/s. Dass Gupta & Associates, Chartered Accountants, M/s. S. K. Badjatya & Co., Chartered Accountants, and M/s. K.K. Garg & Associates, Chartered Accountants, are acting as the Internal Auditors of the Company. The internal auditors independently evaluate adequacy of internal controls and concurrently audit the majority of the transactions in value terms. Post audit reviews are carried out to ensure that audit recommendations have been implemented.

The Audit Committee of the Board of Directors comprising of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. Sunil Kapoor, reviews Internal Audit Reports and the adequacy of the Internal Controls. The Auditors & Director (Finance)/Head of Accounts are invited to attend the Audit Committee Meetings.

Human Resource

Your Company had 2,029 employees as on 31st March, 2004 as against 1,920 employees as on 31st March, 2003. The Company continued its commitment for acquiring, developing and enhancing its talented and professional human potential. Recruitment and retention of intellectual capital is a key management exercise. Panacea's human capital constitutes a diverse pool of knowledge a judicious mix of youth, imagination, risk-taking ability and seasoned experience.

Employee Relations - Good employee relations is the hallmark of your Company. We believe that only those companies that manage to create and



MANAGEMENT DISCUSSION AND ANALYSIS

maintain the requisite culture will be able to exploit the full value of knowledge – the only resource that can be augmented by higher utilization. To ensure a highly motivated and efficient staff and provide for an all round development of its employees, your Company follows the policy of building employee relations and ensures a good and harmonious working culture.

To achieve these objectives, various measures have been taken by the Company over the years, e.g. provision of **Staff Buses** at Lalru & New Delhi for their commuting to and from the office, **Canteen** facilities at subsidised rates with a view to provide hygienic, sumptuous, nutritious and balanced diet and arranging risk insurance by way of **Group Medclaim & Personal Accident Policies**. The Company has also set-up an Employees' **Group Gratuity Trust** for their benefits with LIC's Group Gratuity Scheme. One special feature of the scheme is the provision of **substantial life cover** payable on untimely death of the employee which will be larger than what would have been payable as per the conventional Gratuity Scheme. Moreover, as a gesture of goodwill, the Company is also providing additional financial support from time to time to the family members of its deceased employees.

Your Company has developed a system which is geared towards shaping employees' career paths, including promotions and cross-functional movements, enabling employees to gain a holistic view of the business and the organisation.

One of the significant achievement on this front, was the appointment of **Mr. Anil Chawla**, Chief of Quality Assurance and R&D, Vaccine at New Delhi and **Mr. Ganesh Kumraj**, Chief Production, Vaccines at Lalru, as **advisors** of **WHO**, bringing into significant goodwill and recognition to them and your Company.

Information Technology

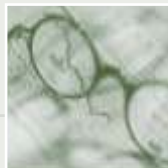
Your Company continues to be at the forefront of usage of technology in the Pharmaceutical Sector. Information Technology is a strategic tool for our business operations, to gain competitive advantage and to improve overall productivity and efficiency of the organization.



The Company is continuously spending huge funds in the information technology as well as communication facilities so as to enhance the knowledge base available to each Panacean, enable faster scanning and monitoring of the external environment, and improve both the employees' and the organization's knowledge of best practices and relevant leading-edge technologies.

With a view to have closer interaction and co-ordination in its activities, the Company's corporate office and plants have been linked together, with V-SAT connections. The intranet connectivity has been established within its offices/plants at different locations and the Internet facilities are being used extensively to ensure speedy communication with the C&F Agents/ Depots, major Stockists and various operational locations throughout the country. Panacea Biotec has already implemented ERP (Enterprise Resource Planning), the modules covered being Production, Accounts & Finance, Marketing, Payroll and Distribution. ERP has integrated Company's different branches to enable them to share information among themselves and maintain good communication channels. It continues to provide a robust data communication network which is crucial for the business operations of all Panacea group entities.

Your Company's health portal "www.bestonhealth.com", developed with a concept of total health management, addressing to all needs of medical fraternity and patients, has been well appreciated by the medical fraternity as well as the general public and had been an excellent source of patient education and furthering the ultimate objective of a healthy world.



MANAGEMENT DISCUSSION AND ANALYSIS

Safety, Health and Environmental Protection

Panacea takes a considerable pride in managing its operations with a high concern for safety and environment. The efforts undertaken by your Company in managing and nurturing the environment fulfills all the safety norms.



Towards Greener Environment - Mr. Sunil Kapoor, Director planting a sapling on the occasion of AGM 2003. Mr. Vinod Goel, Co. Secretary and Mr. Sunil Anand, Director look on.

Substantial investments have been made in setting up "Effluent Treatment Plant" and development of a "Green Belt" at the manufacturing site at Lalru to prevent possible adverse environmental impact on the community. The Company also provides suitable training to the Company's employees about the importance of safety in day-to-day life in general and work in particular. The integration of environment friendly measures and cleaner production practices in the business process has resulted in better efficiency of operations.

Social Responsibility

In keeping with its philosophy of creating happier and healthier society, Panacea Biotec's objective is to work closely for the development of society. Its main thrust is for working at the Company level on key initiatives and supporting local activities in the sphere of health management.

Your Company aims to create benefits on key social issues that relate directly to the business of the Company by helping others to help themselves. In this regard, the Company is regularly providing financial assistance / sponsorship for pursuing post graduates / doctorate studies, attending International Conferences and carrying on Research Projects

being undertaken by Research Associates in various Institutes & Universities.

Your Company installed **Diabetic Awareness corners** meant for education of diabetic patients for better self-management at more than 3200 doctors' clinics across the country. Furthermore, Diabetic detection camps are a regular feature of your Company, which are supplemented by education to the patients through easy to comprehend pictorial slides.

Further, your Company participated in various Patient Education Programmes on Renal Support/Renal Transplantation organised by premier Medical Institutes from time to time and patient education booklets distributed on the occasion which were a series developed in eight parts called "Good Living with Transplant." Also, as a gesture of compassion towards the social cause, Panacea also arranges medical facilities for the Company's poor employees and their family members in case of acute diseases.

Further, the Company has taken the initiative of expressing its gratitude towards the medical fraternity on "**Doctors' Day**" i.e 1st July, 2004. Your Company has issued press releases and encouraged general public to convey their gratitude to their doctors for helping maintaining good health. In an attempt to popularise the event, the Company invited the general public to leave their messages at the Company's web-site, which will be delivered by the Company to their Doctors on Doctors' day with flower bouquets. The Company's initiative has received overwhelming response from the public countrywide.

Cautionary Note

Certain statements in the "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. These statements and expectations envisaged by the management are only estimates in nature and the actual results could be materially different from such expectations. These statements involve known and unknown risks, uncertainties and other factors including, but not limited to, changes in economic conditions, the Company's ability to successfully implement its strategy for growth and expansion, demand for its products, technological changes and exposure to market risks.





DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting the Twentieth Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March, 2004 and Auditors' Report thereon.

Performance Review

The Company's performance during the year under review, is summarized below:

(Rs. in million)

Particulars	For the year ended 31st March, 2004	For the year ended 31st March, 2003
Gross Sales	2,715	2,839
Other Income	26	29
Total Income	2,741	2,868
Profit before Interest, Depreciation & Tax	424	551
Financial Expenses	88	119
Profit before Depreciation & Tax	336	432
Depreciation	119	96
Profit before Tax	217	336
Provision for Taxation	53	122
Profit after Tax	164	214
Appropriations:		
Dividend Paid/Proposed		
- On Equity Shares	57	57
- On Preference Shares	8	7
Tax on Dividend	8	8
Transfer to Capital		
Redemption Reserve	-	10
Transfer to/(from) Debenture Redemption Reserve	(13)	(13)
Transfer to General Reserve	100	100
Earnings per Share (EPS) (Rs.)*	2.72	3.62
Book Value per Share (Rs.)*	20.18	18.25
Dividend on Equity Shares	100%	100%

*Per Equity Share of Re.1/-

Share Capital

During the year under review, as approved by the Shareholders in their Extra-ordinary General Meeting held on 2nd March, 2004, the Authorised Share Capital of your Company was increased from Rs.225 million to Rs.1,225 million, with a view to replace high cost debts, augment funds

for meeting capital expenditure for setting up production facilities for various dosage forms, viz. tablets, capsules, syrups & ointments at Baddi, Himachal Pradesh and for other long term funds requirement.

The Issued Capital has increased by Rs.904 million by way of allotment of 9,04,34,914 - 4.5% Non-Convertible Redeemable Preference Shares (Series III) of Rs.10/- each, issued to Chervil South East Asia Pte Ltd, Singapore (an affiliate of Credit Suisse Group, Zurich) on private placement basis, for meeting capital expenditure for the proposed project at Baddi, Himachal Pradesh, long term working capital and other funds requirements of the Company.

The Preference Share Capital was reduced by Rs.11.35 million by way of redemption of 11,35,300 - 12% Redeemable Cumulative Preference Shares (Series-II) of Rs.10/-each redeemed on 16th April, 2004.

Dividend

In respect of 11,35,300- 12% Cumulative Redeemable Preference Shares (Series II) redeemed on 16th April, 2004, the cumulative dividend @ 12% p.a. for the period from 1st April, 2003 till the date of redemption, has been paid on 16th April, 2004, as declared by the Board on 15th April, 2004. Further, as per the terms of issue of 9,04,34,914 - 4.5% Non-Convertible Redeemable Preference Shares (Series III) of Rs.10/- each to Chervil South East Asia Pte Ltd, the dividend @4.5% (pro-rata) for the financial year ended 31st March, 2004 has been paid by way of Interim Dividend as declared by the Board on 26th March, 2004. As such no further dividend is to be paid on the said Preference Shares for the Financial Year ended 31st March, 2004.

Further, your Directors have recommended a dividend of 12% in respect of 42,11,200 - 12% Redeemable Cumulative Preference Shares (Series II), for the financial year ended 31st March, 2004.

Your Directors are also pleased to recommend a dividend of 100% on Equity Share Capital of the Company for the financial year ended 31st March, 2004.

The dividend as above on the Equity and Preference Shares is placed before you for your approval at the ensuing Annual General Meeting and if approved, will absorb an amount of Rs.57.08 million and Rs.8.20 million, respectively.



DIRECTORS' REPORT

Credit Rating

Your Directors are pleased to inform that your Company has been assigned "P1" (pronounced "P" one) rating by CRISIL for the Commercial Paper Programme of Rs.1650 million vide their letter dated 3rd June, 2004. This rating indicates that the degree of safety with regard to the timely payment of interest and principal on the instrument is very strong. The assignment of high rating will allow the Company to borrow working capital funds at much lower rates as compared to the rate of interest on present borrowings, resulting into savings in financial expenses in the current financial year.

Report on Corporate Governance

As required pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a report on Corporate Governance is provided in the Annual Report.

Management Discussion & Analysis

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed Management Discussion and Analysis Report forms part of the Annual Report.

Joint Ventures and Subsidiaries

As you are aware, your Company had set-up Joint Venture Company viz. **Panheber Biotec Pvt. Ltd.**, in joint venture with M/s. Heber Biotec S.A., Cuba, an arm of the world renowned bio-technology research facility, Center for Genetic Engineering and Biotechnology (CIGB), for bulk (raw material) production of Recombinant Hepatitis B Vaccine. The commercial production of Recombinant Hepatitis B Bulk Vaccine and Antigen has commenced during the year under review.

The Company's subsidiaries namely **Radicura & Co. Ltd.**, an existing profit-making Company engaged in the trading and distribution of pharmaceutical products. The another wholly-owned subsidiary of the Company namely **Best On Health Ltd.** which owns a prime immovable property in close proximity of the Company's erstwhile corporate office, has enabled the Company to have its Corporate Office in a much

bigger premises.

The Company's overseas wholly owned subsidiary Company, viz. Tayonics Ltd, Isle of Man, U.K, has been wound up during the year under review and necessary certificate from concerned authorities obtained on 4th July, 2003.

Your Company has decided to set-up a Joint Venture Company, viz. **Chiron Panacea Vaccines Pvt Ltd**, to formulate, market and distribute



combination and other Vaccines (other than Oral Polio Vaccines) in India, with Chiron Corporation, U.K, an internationally renowned multi-dimensional company with businesses in biopharmaceuticals, vaccines and blood testing which currently offers more than 30 vaccines, including pediatric, travel, flu and novel vaccines. This Joint Venture Company will make available in India, innovative vaccines to reduce the burden of various diseases in the country in the area of pediatric infectious diseases.

Consolidated Financial Statements

As required pursuant to Accounting Standard 21 on Standard 27 on 'Financial Reporting of Interest in Joint Ventures', the Consolidated Financial Statements of the Company (including therein Audited Annual Accounts as at 31st March, 2004 of its subsidiaries, viz. Radicura & Co. Ltd. and Best On Health Ltd. and Joint Venture Company, viz. Panheber Biotec Pvt. Ltd.) are attached with the Annual Accounts of the Company.

The Auditors of the Company had also given their report on the Consolidated Financial Statements.

Delisting of Equity Shares

As you are aware, in view of the facts that the Company's Equity Shares are being mostly traded at the Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) and these two



DIRECTORS' REPORT

stock exchanges have become the favourite of the investors all over India due to their all India presence and increased liquidity and trading at other stock exchanges was nil/negligible, the approval of the shareholders was obtained in the last annual general meeting, for the proposal for delisting of Equity Shares from one or more of the Stock Exchanges at Delhi, Kolkata, Chennai & Ludhiana.

Pursuant to the applications made by the Company for delisting from the said stock exchanges, the Stock Exchange at Chennai had approved the delisting of Equity Shares w.e.f 21st June, 2004. The approval from the Stock Exchanges at Delhi, Ludhiana and Kolkata is expected in due course while the procedural formalities for the same have been complied with.

The Equity Shares of the Company shall continue to be listed on BSE & NSE.

Public Deposits

During the year under review, your Company has not invited or accepted any deposits from the public pursuant to the provisions of Section 58A of the Companies Act, 1956 and no amount of principal or interest was outstanding in respect of deposits from the public as of the date of balance sheet. However, during the year under review, the Company had accepted deposits from the Company's Directors, their relatives, associates and the Company's employees without inviting deposits from them.

Directors

Dr. G.K. Vishwakarma, Director of the Company demised on 24th March, 2004. The Board wishes to accord its sincere appreciation for the valuable services and support rendered by him during his tenure as a Director of the Company.

In accordance with the provisions of Companies Act, 1956, Mr. Sunil Kapoor, Mr. R.L. Narasimhan, Mr. N.N. Khamitkar and Mr. C.C. Bhagat, Directors of the Company, are liable to retire by rotation and being eligible offer themselves for re-appointment.

Directors' Responsibility Statement

The Directors hereby confirm:

- i) that in the preparation of the annual accounts, the applicable accounting

standards had been followed along with proper explanation relating to material departures;

- ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the directors had prepared the annual accounts on a going concern basis.

Statutory Auditors

As per the provisions of the Companies Act, 1956, M/s. S. R. Batliboi & Co., Chartered Accountants, hold office as Statutory Auditors of your Company till the conclusion of the ensuing Annual General Meeting and had shown their willingness to be re-appointed as the Auditors of the Company.

Your Company has received the Certificate from M/s. S. R. Batliboi & Co., Chartered Accountants, as required under Section 224(1B) of the Companies Act, 1956, to the effect that their re-appointment, if made, will be within the limits as prescribed under the provisions thereof. Your Directors recommend their re-appointment as the Auditors of the Company for the financial year 2004-05.

The notes to the accounts and the observations in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

Cost Auditors

In terms of the provisions of Section 233B of the Companies Act, 1956, M/s J.P. Gupta & Associates, Cost Accountants, have been appointed as the Cost Auditors to conduct the audit of the Company's Cost Records in respect of formulations for the year ended 31st March, 2004 with the approval of the Central Government. They have also been appointed as the Cost Auditors for the financial year 2004-05 subject to the approval of Central Government.



DIRECTORS' REPORT

Disclosures under Section 217(2)

There have been no material changes and commitments, which can affect the financial position of the Company between the end of financial year and the date of report except that some stock costing around Rs.51 million was damaged due to fire in the Company's Cold Room at Central Warehouse at Delhi in May '2004. The insurance claim for the loss has been filed with the Insurance Company and an interim relief of Rs.10 million has been received from them pending final settlement of claim.

As required under Section 217(2) of the Companies Act, 1956, the Board of Directors inform the members that during the financial year there has been no change :

- o in the nature of Company's business,
- o in the Company's subsidiaries, except those stated in this report or in the nature of business carried out by them,
- o in the classes of business in which the Company has an interest.

Energy Conservation, Technology Absorption & Foreign Exchange

Information as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings & outgo, is given in Annexure A, forming part of this Report.

Information regarding Employees

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees covered under these Rules are set out in Annexure B, forming part of this Report.

Acknowledgments

Your Directors place on record their deep sense of appreciation to all Panacea employees, who are committed to strong work ethics, excellence in performance, exemplary professionalism, commendable team work and have thrived in a challenging environment. The Directors are grateful to Banks, Financial Institutions, Government agencies and business associates for their continued assistance, support and co-operation and also to the members of medical profession for their efforts to provide high quality ethical therapeutic products within India and abroad.

Your Directors also take this opportunity to express sincere thanks to the medical fraternity and patients for their continued co-operation, patronage and trust reposed on us. Finally, the Directors wish to express gratitude to the Equity as well as Preference Shareholders for their unwavering trust and support. We look forward to having continued support of all concerned in our endeavour to help people lead healthier lives in the years to come.

For and on behalf of the Board

New Delhi
30th day of June, 2004

Soshil Kumar Jain
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE A

Statement of particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

I. ENERGY CONSERVATION

A. Energy Conservation measures taken

The Company accords highest priority to energy conservation and has devised its production lines keeping in view the objective of minimum energy losses. The Company has, inter-alia, taken following energy conservation measures:

- Installation of Centrifugal Lube Oil filters on Diesel Generators (DG) sets to save the cost of lube oils and filters in running DG sets.
- Installation of Variable Frequency Drive (VFD) on Air Handling Units (AHU) for energy conservation.
- Use of Compact Fluorescent Lamps (CFL)/ high lux tube rods (36W) instead of 40W (normal) tube rods, thereby saving electricity all over its plants and offices in India.
- Use of high efficiency motors resulting in consumption of less power than normal motor rating of the same capacity.
- Installation of condensate steam recovery system thereby saving energy.
- Process for recycling of vial washing machine purified water installed.
- Installation of hot water system for controlling relative humidity.
- Conversion of critical Air Handling Units (AHUs) from air-cooled system to water based cooling system thereby conserving energy.
- Adjustments in water flow circulation in cooling tower.
- Modification in pipelines with a view to save the frictional losses of pipe lines and bends.

B. Proposal / Investments for reduction of Energy Conservation

- HT power supply connection with a provision of automatic power correction is under installation at its plant at Badarpur, New Delhi, which will save lot of energy cost particularly at the time when consumption is low.
- Steps are also being taken to reduce lighting energy load by 25% over a period of time.

C. Impact of measures taken and impact on cost of production of goods

The energy conservation measures taken from time to time results in considerable reduction of energy costs and thereby reducing the cost of production of goods.

FORM A

The particulars of consumption of energy, are given below:

	Current Year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (Nos.)	28,91,734	24,12,377
Total Amount (Rs.)	1,41,17,897	1,06,38,542
Rate/Unit (Rs.)	4.88	4.41
(b) Own generation		
(i) Through Diesel Generator		
Units (Nos.)	31,43,655	51,51,302
Unit per litre of Diesel Oil	3.21	2.57
Cost/Unit (Rs.)	6.67	6.53
(ii) Through Steam/Turbine Generator	Nil	Nil
Units (Nos.)		
Unit per litre of Diesel Oil		
Cost/Unit		
2. Coal	Nil	Nil
Quantity (tonnes)		
Total Cost		
Average Rate		
3. Furnace Oil	Nil	Nil
Quantity (Litres)		
Total Amount		
Average Rate/litre		
4. Others/Internal generation	Nil	Nil
Quantity		
Total Cost		
Rate/Unit		



ANNEXURE TO THE DIRECTORS' REPORT

	Current Year	Previous Year
<i>B. Consumption per unit of production ('000 omitted)</i>		
TABLETS		
Production (Nos. in thousand)	3,02,150	3,35,550
Electricity Consumption	1.34	1.70
CAPSULES		
Production (Nos. in thousand)	38,842	24,011
Electricity Consumption	2.34	2.12
SYRUPS		
Production (MI in thousand)	2,43,959	2,33,671
Electricity Consumption	0.52	0.68
GELS		
Production (Gm. in thousand)	44,550	32,169
Electricity Consumption	0.78	1.03
VACCINES		
Production (No. of vials in thousand)	22,564	22,723
Electricity Consumption	45.24	36.12

II. Technology Absorption

FORM B

Form for disclosure of particulars with respect to Technology Absorption Research & Development (R&D)

1. **Specific areas in which R & D carried out by the Company:**

The Research is being pursued by the Company, inter-alia, in the following areas :

- Formulation Research and Development
- Natural Products R&D
- Chemical Research & Development
- Analytical Research and Development
- Bio-analytical Research
- Pharmacology Research
- Advanced Drug Delivery Research

2. **Benefits derived as a result of above R & D:**

- Novel drug delivery products
- Competitively advanced products
- Improved product quality
- Waste minimisation
- Safe and environment friendly processes
- Grant of Product/Process Patents
- Import substitution
- Enhanced global presence
- Export Quality Products
- Taste masking of bitter products.

3. **Future plan of Action:**

The Company will focus its Research & Development activities for achieving the results, inter-alia, in the following areas:

- Formulation Research & Development
- Chemical Research & Development
- Advanced Drug Delivery Research
- Natural Products Research



ANNEXURE TO THE DIRECTORS' REPORT

4. Expenditure on R & D during 2003-04

(Rs. in million)

	2003-2004	2002-2003
Capital	47.32	28.67
Revenue	100.92	76.14
Total	148.24	104.81
Total R&D expenditure as a percentage of total turnover	5.46%	3.69%

Technology absorption, adaptation and Innovation

1. Efforts, in brief, made towards technology adaptation and innovation
2. Benefits derived as a result of the above efforts
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.
 - a. Technology imported
 - b. Year of import
 - c. Has technology been fully absorbed
 - d. If not fully absorbed, areas where this has not taken place, reasons thereof and future plan(s) of action

Technical collaboration for manufacture of vaccines
- Competitive products
- Product Improvement
- Product Development
- Import Substitution

N.A
N.A
N.A
N.A

FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports

The Company has identified exports as the major thrust area of operation and its efforts on the export front have shown positive results. During the year under review, the export turnover (including the deemed exports of Rs.1,473 million) were to the tune of Rs.1,616 million as against Rs.1,505 million (including deemed export of Rs.1,381 million) recording a growth of 7.38% as compared to the financial year 2002-03.

2. Initiatives taken to increase export

The Company has started the process of exporting its herbal/ natural range of products to various countries. Further, with a view to enhance its presence in export markets, the Company has obtained registration for its formulation as well as OTC products in existing markets as well as new markets, e.g. **West Indies, Thailand and Uzbekistan.**

The registration of additional products of the Company for pharmaceuticals and vaccines in various countries has created scope for additional volume of exports.

3. Development of new export markets for products

The Company has broadened its global presence by exporting products to new countries like Cambodia, Myanmar, Bangladesh, Malaysia, Thailand and Fiji, etc. Further, in order to expand its marketing base in more and more countries, your Company intends to make marketing & distribution alliance with buyers in newer countries. In present countries of export, your Company is planning to add number of additional products to its basket and also exploring marketing opportunities for its herbal and natural range of products in the existing as well as new countries.

4. Total foreign exchange earned and used

(Rs. in million)

	2003-04	2002-03
Earnings	1,621.97	1,516.39
Outgo	1,226.81	1,705.45

NewDelhi,
30th June, 2004

For and on behalf of the Board
SOSHIL KUMAR JAIN
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE B

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2004

S. No.	Name	Designation & Nature of Duties	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Age	Particulars of Last Employment
A. Persons employed throughout the Financial Year ended 31st March, 2004, who were in receipt of remuneration for the year in which the aggregate was not less than Rs. 24,00,000/-.								
1.	Mr. Soshil Kumar Jain	Chairman	76,23,216	Pharmacist	49	02.02.84	72	Business
2.	Mr. Ravinder Jain	Managing Director	39,42,345	Matriculate	24	15.11.84	47	Business
3.	Mr. Rajesh Jain	Joint Managing Director	39,40,770	B. Sc., MBA, Advanced Diploma in Management Research	20	15.11.84	40	Business
4.	Mr. Sandeep Jain	Joint Managing Director	39,09,784	B. Com.	19	15.11.84	38	Business
B. Persons employed for a part of the Financial Year ended 31st March, 2004, who were in receipt of remuneration for any part of the year, at the rate which in the aggregate was not less than Rs. 2,00,000/- per month.								
5.	Dr. K.C. Jindal	Executive Vice President R&D	27,33,163	Ph.D, M.Pharma	26	18.06.03	53	Vice President-Pharma Research, Orchid Chemicals & Pharmaceutical Ltd.
6.	Mr. N.K. Juneja	Vice President (Operations)	22,17,639	M. Pharma	25	19.06.03	48	General Manager, Unichem Laboratories Ltd.

Notes:

1. Remuneration includes salary, house rent allowance, bonus, Company's contribution to Provident Fund, Leave Travel Allowance, Medical Assistance, Royalty, Gratuity and all allowances paid in cash and taxable value of perquisites wherever applicable.
2. There was no employees who was employed either throughout the financial year or part thereof, who was holding either by himself or along with the spouse and dependent children 2% or more of the shares of the company and drawing remuneration in excess of the remuneration drawn by Managing Director / Joint Managing Director / Whole time Director / Manager.
3. The terms and conditions of employees at Sl.No. 1 to 4 are as approved by the Board of Directors and shareholders . The employees at Sl.No. 5 & 6 are paid remuneration as per the policy/rules of the Company.
4. All the above said appointments are contractual.
5. None of the above employees is related to any of the Directors except that Mr. Soshil Kumar Jain, Mr. Ravinder Jain, Mr. Rajesh Jain and Mr. Sandeep Jain are related to each other.

For and on behalf of the Board

New Delhi
30th June, 2004

SOSHIL KUMAR JAIN
Chairman



REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company's philosophy on corporate governance is aimed at assisting the top management in the efficient conduct of its business and in meeting its obligations to its stakeholders, including the shareholders, employees, government, lenders and society at large. The Company is committed to achieve the highest standards of Corporate Governance and believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders' value, over a sustained period of time.

The Company believes that the transparency, better corporate governance and technological improvements are the key terms to be transformed into realistic working of the public companies and these developments would pave the way for sound footing not only for their continued existence but for their steady growth and overall improvement in their functioning.

2. Board of Directors

Composition & size of the Board

The Board presently consists of 6 (Six) Executive Directors and 6 (Six) Non-Executive Directors. The Executive Directors consist of four Promoter-Directors (one Executive Chairman, One Managing Director and two Joint Managing Directors) and two Whole-time Directors. All the Non-Executive Directors are Independent Directors. The non-executive Directors bring external and wider perspective in the Board's deliberations and decisions.

The size and composition of the Board conform with the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchanges.

Number of Board Meetings held

During the financial year 2003-04, 5 (Five) Board Meetings were held on 12th May, 2003, 28th June, 2003, 31st July, 2003, 29th October, 2003 and 30th January, 2004.

Attendance of Directors at the Board Meetings & last Annual General Meeting and number of other Directorships & Committee membership as on 31st March, 2004

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM	No. of other Directorships	No. of Committee Memberships in other companies
1.	Mr. Soshil Kumar Jain	Promoter - Whole-time Director	5	5	No	4	-
2.	Mr. Ravinder Jain	Promoter - Managing Director	5	4	No	2	-
3.	Mr. Rajesh Jain	Promoter - Joint Managing Director	5	1	No	3	-
4.	Mr. Sandeep Jain	Promoter - Joint Managing Director	5	4	Yes	3	-
5.	Mr. Ashwani Jain	Executive - Whole-time Director	5	1	No	1	-
6.	Mr. Sunil Anand*	Executive - Whole-time Director	5	5	Yes	-	-
7.	Dr. Amarjit Singh#	Executive - Whole-time Director	N.A.	-	N.A.	-	-
8.	Mr. Sunil Kapoor	Non-Executive - Independent Director	5	5	Yes	6	-
9.	Mr. R.L. Narasimhan	-do-	5	5	Yes	-	-
10.	Mr. N.N. Khamitkar	-do-	5	4	Yes	-	-
11.	Mr. C.C. Bhagat	-do-	5	-	No	-	-
12.	Mr. M.L. Kalra	-do-	5	4	No	-	-
13.	Dr. G.K. Vishwakarma \$	-do-	5	1	No	-	-
14.	Mr. Gurmeet Singh	-do-	5	-	Yes	5	-

* Appointed as Director (Finance) w.e.f. 24th April, 2003.

Acted as Director upto 30th April, 2003.

\$ Ceased to be Director due to sad demise on 24th March, 2004.

None of the Directors on the Board is a member in more than ten committees and/or acts as chairman of more than five committees across all Companies in which he is Director.



REPORT ON CORPORATE GOVERNANCE

3. Audit Committee

Composition & Terms of Reference

The Audit Committee of the Company comprises of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. N.N. Khamitkar & Mr. Sunil Kapoor. Mr. R.L. Narasimhan is the Chairman of the Committee.

The terms of reference of Audit Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement with Stock Exchanges as well as in Section 292A of the Companies Act, 1956, including the following:

- To review Half-Yearly and Annual Financial Accounts of the Company and discuss with Auditors before submission.
- To oversight the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors, before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To assess information contained in the records of the Company.
- To obtain outside legal or other professional advise, if necessary.
- To investigate into any matters in relation to item specified in Section 292A of the Companies Act, 1956 or referred to it by the Board.

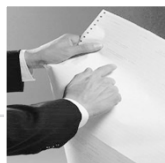
Meetings and attendance of members during the year

During the year, 6 (Six) Audit Committee meetings were held on 4th April, 2003, 5th April, 2003, 27th June, 2003, 31st July, 2003, 28th October, 2003 and 29th January, 2004.

The attendance of members of the Audit Committee at these meetings were as follows:

S.No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R. L. Narasimhan	Chairman & Independent Director	6	6
2.	Mr. N. N. Khamitkar	Independent Director	6	6
3.	Mr. Sunil Kapoor	Independent Director	6	5

The Partner/representatives of Statutory Auditors, Internal Auditors and Cost Auditors, Director (Finance)/G.M. (Finance)/DGM (Finance & Accounts) had been the permanent invitees of the meetings of Audit Committee. Apart from these persons, Manager (Accounts), Asst. Manager (Costing), Manager (Administration) had also attended one or more of the Audit Committee Meetings. The Company Secretary is acting as the Secretary to the Audit Committee.



REPORT ON CORPORATE GOVERNANCE

4. Remuneration Committee

Composition & Terms of reference

A Remuneration Committee of the Board of Directors comprising of three non-executive independent Directors viz. Mr. R.L. Narasimhan, Mr. M.L. Kalra and Mr. Sunil Kapoor, had been constituted by the Board of Directors. Mr. R.L. Narasimhan is the Chairman of the Committee.

The powers and terms of reference of the Remuneration Committee include:

- to decide elements of remuneration package of all the directors.
- to decide the service contracts, notice period and severance fees of Executive Directors.

During the year 2 (Two) Remuneration Committee meetings were held on 24th April, 2003 and 31st July, 2003.

The attendance of members of the Remuneration Committee at these meetings were as follows:

Sl. No.	Name of the Member	Status	No. of Meetings held	No. of Meetings attended
1.	Mr. R. L. Narasimhan	Chairman & Independent Director	2	1
2.	Mr. M.L. Kalra	Independent Director	2	1
3.	Mr. Sunil Kapoor	Independent Director	2	2

Remuneration Policy

Subject to the approval of the Company's shareholders in general meeting and such other approvals as may be necessary, the Managing/Joint Managing/Whole time Directors are paid remuneration as per the terms of remuneration decided by the Board/Remuneration Committee and approved by the Shareholders. The remuneration payable to Directors is decided from time to time keeping in view the overall performance of the Company, the performance of the concerned Director(s) and the industry trends. The remuneration is also fixed in such a way that the aggregate remuneration paid to Managing/Joint Managing Directors and Whole-time Directors does not exceed the maximum permissible limits as per Schedule XIII to the Companies Act, 1956.

Details of Directors' remuneration for the financial year ended 31st March, 2004

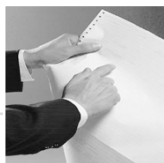
(i) Executive Directors (Managing/Joint Managing/Whole-time Directors)

(Amount in Rs.)

Sl. No.	Name	Salary	Royalty	Perquisites	Total
1.	Mr. Soshil Kumar Jain	72,00,000	Nil	4,23,216	76,23,216
2.	Mr. Ravinder Jain	36,00,000	Nil	3,42,345	39,42,345
3.	Mr. Rajesh Jain	36,00,000	Nil	3,40,770	39,40,770
4.	Mr. Sandeep Jain	36,00,000	Nil	3,09,784	39,09,784
5.	Mr. Ashwani Jain	18,00,000	Nil	2,13,735	20,13,735
6.	Dr. Amarjit Singh	1,25,000	58,333	11,71,665	13,54,998
7.	Mr. Sunil Anand	5,61,667	Nil	20,220	5,81,887

Notes:

1. The tenure of office of Mr. Soshil Kumar Jain, Chairman, Mr. Ravinder Jain, Managing Director and Mr. Ashwani Jain, Director (Operations & Projects) of the Company is for 5 years w.e.f. 1st April, 2001. The tenure of office of Mr. Rajesh Jain and Mr. Sandeep Jain, Joint Managing Directors of the Company is for 5 years w.e.f. 1st February, 2002.
2. The tenure of office of Dr. Amarjit Singh, Director (R&D and Quality Assurance) was for 5 years w.e.f. 1st January, 2000, however, he had ceased to be the Director of the Company on 30th April, 2003.
3. Mr. Sunil Anand has been appointed as Whole-time Director designated as Director (Finance) for a period of 5 years w.e.f. 24th April, 2003.
4. Notice period for termination of appointment of Managing/Joint Managing/ Whole time Directors is three months by either party or a shorter period decided mutually. No severance pay is payable on termination of contract.
5. The Company does not have any Stock Option Scheme.
6. No commission was paid to the Managing/Joint Managing/ Whole-time Directors during the above said financial year.
7. All elements of remuneration of the Managing/Joint Managing/ Whole-time Directors, i.e., Salary, Commission, Perquisites and other benefits, etc. are given in Schedule XVII annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
8. Provision for Leave Encashment and Gratuity amounting to Rs.13,42,042/- and Rs.31,72,923/- respectively, made during the year, has not been included above.



REPORT ON CORPORATE GOVERNANCE

(ii) Non-Executive Directors

Apart from the sitting fees for attending Board Meeting or Committee thereof, the Remuneration is paid to the non-executive Directors (other than Mr. Gurmeet Singh) by way of monthly allowances for telephone, mobile, conveyance expenses, etc. @ Rs.15,500/- p.m. (with the confirmation from Central Government). The details of remuneration paid to the non-executive directors during financial year ended 31st March, 2004 are as under:

Sl. No.	Name	Allowances	(Amount in Rs.)	
			Sitting Fees	
1.	Mr. R. L. Narasimhan	1,86,000	60,000	
2.	Mr. N. N. Khamitkar	1,86,000	50,000	
3.	Mr. Sunil Kapoor	1,86,000	60,000	
4.	Mr. C. C. Bhagat	1,86,000	-	
5.	Mr. M. L. Kalra	1,86,000	1,45,000	
6.	Dr. G. K. Vishwakarma	1,82,000	5,000	
7.	Mr. Gurmeet Singh	-	1,00,000	

Apart from the above said remuneration, professional charges of Rs.33,000/- p.m. are being paid to Mr. Sunil Kapoor (Advocate & Tax Consultant), for his professional services as income-tax consultant (being paid after obtaining confirmation from Central Government pursuant to the provisions of Proviso to Section 309(1) of the Companies Act, 1956).

5. Share Transfer cum Investors' Grievance Committee

The Share Transfer-cum-Investors' Grievance Committee comprises of three Directors viz. Mr. M.L. Kalra, Mr. Ravinder Jain and Mr. Gurmeet Singh. Mr. M.L. Kalra, an independent Non-Executive Director acts as Chairman of the Committee. Mr. Vinod Goel, Company Secretary is acting as the Secretary to the Committee as well as the Compliance Officer pursuant to Clause 47(a) of the Listing Agreement with Stock Exchanges.

Details of investors' complaints received during the year 2003-04:

S. No.	Nature of Complaints	Received	Resolved	Pending
1.	Non-receipt of Dividend Warrants in respect of Preference/ Equity Shares	16	12	4*
2.	Non-receipt of share certificate lodged for transfer/ sub-division/duplicate etc.	11	11	-
3.	Others	1	1	-

* Resolved during April, 2004.

The Company put utmost priority to the satisfaction of its shareholders which is evident from the fact that only very few complaints were received by the Company and the same were resolved in a prompt manner to their satisfaction. In fact, considering the excellent record of the Company in handling the investors' complaints, **the Stock Exchanges had time and again confirmed that there is no complaint pending against our Company** as per their records and had appreciated the initiatives taken by the Company in resolving investors' complaints.

There were no share transfers lying pending as on 31st March, 2004.

6. Annual General Meeting

The last three Annual General Meetings were held as under:

Financial Year	Date	Time	Venue
2002-03	20 th September, 2003	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru 140501, Punjab.
2001-02	24 th August, 2002	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru 140501, Punjab.
2000-01	28 th August, 2001	12.30 PM	Registered Office at Ambala-Chandigarh Highway, Lalru 140501, Punjab.



REPORT ON CORPORATE GOVERNANCE

The Company had used/invited for voting on the below mentioned 2 (Two) special resolutions and 1 (One) ordinary resolution by postal ballots and the same were passed by way of Postal Ballots on 20th September, 2003. Mr. Umesh Singhal of M/s. U.S. & Associates, Company Secretaries acted as Scrutinizer and the voting pattern was as under:

Item	Number of valid postal ballot forms received	Votes in favour of the Resolution	Votes against the Resolution	Number of invalid postal ballot forms received
1. Ordinary Resolution under Section 293(1)(a) authorising the Board of Directors to lease land, building, plant and machinery, etc. pertaining to Vaccines Plant at Lalru together with power to transfer the said assets in certain event(s) to Joint Venture Company.	212	4,25,13,563	16,420	39
2. Special Resolution regarding alteration in Object Clause of Memorandum of Association by adding a new sub-clause 38 in Clause III-C (Other Objects)	212	4,24,95,773	12,170	39
3. Special Resolution regarding commencement of Business as specified in sub-clause 38 of Clause III-C (Other Objects).	212	4,24,95,773	12,070	39

Procedure for Voting by Postal Ballots: The Postal Ballot Form and the draft Resolution(s) along with the Explanatory Statement pertaining the said Resolution(s) explaining in detail the material facts and the self-addressed, postage prepaid envelope, are sent to all the members, under Certificate of Posting.

The members are required to carefully read the instructions printed in the Postal Ballot Form, fill up the Form, give their assent or dissent on the resolution(s) at the end of the Form and sign the same as per the specimen signature available with the Company or Depository Participant, as the case may be, and return the form duly completed in the attached self-addressed, postage prepaid envelope so as to reach the scrutinizer before the close of working hours of the last date fixed for the purpose. Postal Ballot Forms received after this date are strictly treated as if the reply from the member has not been received.

The scrutinizer appointed for the purpose scrutinizes the postal ballots received and submit his report to the Company.

Voting rights are reckoned on the basis of number of shares and paid-up value of shares registered in the name of the shareholders as on the date of dispatch of the notice. A resolution is deemed to have been passed as special resolution if the votes cast in favour are at least three times than the votes cast against and in case of ordinary resolution, the resolution is deemed to have been passed, if the votes cast in favour are more than the votes cast against.

7. Disclosure

- There was no such materially significant related party transaction with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The other related party transactions are given in Note No. B10 of Schedule XVII annexed to and forming part of Balance Sheet and Profit & Loss Account of the Company.
- During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital markets.

8. Means of communication

- The Quarterly and Half-Yearly results are published in the prominent daily newspapers, viz. Economics Times/Financial Times, New Delhi, Navbharat Times/ Jansatta (Hindi), New Delhi and the Punjabi Tribune, Chandigarh, the local newspaper published in the language of the region in which Registered Office is situated.
- The Annual Results (Annual Report containing Balance Sheet etc.) are posted to every shareholder of the Company.
- The Company's web-site, viz. www.panaceabiotec.com, is regularly updated with the financial results and other important events.
- Pursuant to clause 51 of the listing agreement, financial information like annual and quarterly financial statements, shareholding pattern and segment-wise results are available on the SEBI's web-site www.sebidifar.nic.in.
- Management's Discussion and Analysis Report has been included in the Annual Report, which forms part of Annual Report being sent to the shareholders of the Company.



REPORT ON CORPORATE GOVERNANCE

9. General Shareholder Information

i) Date of AGM

The Annual General Meeting is proposed to be held on Saturday, the 18th day of September, 2004, at 12.30 p.m. at the registered office of the Company at Ambala-Chandigarh Highway, Lalru 140501, Punjab.

Posting of Annual Report

On or before 23rd August, 2004

Last date of receipt of Proxy Form

16th September, 2004 before 12.30 P.M.

ii) Financial Calendar 2004-05 (tentative)

S. No. Tentative Schedule

Tentative Date

- | | | |
|----|---|----------------------------|
| 1. | Financial reporting for the quarter ending 30 th June'2004 | 31 st July'2004 |
| 2. | Financial reporting for the half year ended 30 th September'2004 | End of October'2004 |
| 3. | Financial reporting for the quarter ended 31 st December'2004 | End of January'2005 |
| 4. | Financial reporting for the quarter ending 31 st March'2005 | End of April'2005* |
| 5. | Annual General Meeting for the year ending 31 st March'2005 | End of September'2005 |

*As provided in clause 41 of Listing Agreement, Board may also consider to publish Audited Results for the year 2004-05 in lieu of Unaudited Results for fourth quarter, by 30th June, 2005 (or such other period as may be stipulated from time to time).

iii) Date of Book Closure

The Share Transfer Books and Register of Members of the Company will remain closed from 15th September, 2004 to 18th September, 2004 (both days inclusive).

iv) Dividend Payment Dates

a) The Company will pay dividend, if declared by the members in the forthcoming Annual General Meeting, on or before 17th October, 2004:

- To those members whose names appear in the Register of Members of the Company as on 18th September, 2004 after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 15th September, 2004 and registered before 18th September, 2004.
- In respect of Shares held in electronic form to those "deemed members" whose names appear on the statement of beneficial ownership furnished by NSDL and CDSL at the end of business hours on 14th September, 2004 (i.e. before the date of commencement of closure of Register of Members and Share Transfer Books, i.e. 15th September, 2004).

b) Dividend payment date

On or before 17th October, 2004

c) Probable date of dispatch of dividend warrants

On or before 17th October, 2004

v) Listing of Shares on Stock Exchange

The Company's Equity Shares are listed on the following Stock Exchanges:

- National Stock Exchange of India Ltd., Bandra Kurla Complex, Bandra (E), Mumbai-400 051
- The Stock Exchange, Mumbai, P J Tower, Dalal Street, Fort, Mumbai-400 001
- Ludhiana Stock Exchange Association Ltd., Feroze Gandhi Market, Ludhiana-140 001
- Delhi Stock Exchange Association Ltd, DSE House, 3/1, Asaf Ali Road, New Delhi-110 002
- Calcutta Stock Exchange Association Ltd, 7, Lyons Range, Kolkata-700 001

The listing fee for the financial year 2004-05 has already been paid to all the concerned Stock Exchanges.

The Company had applied for delisting of its Equity Shares from the Stock Exchanges at Delhi, Ludhiana, Kolkata and Chennai. The Stock Exchange at Chennai had vide their letter no. MSE/LD/PSK/731/703/04 dated 22nd June, 2004, confirmed delisting of shares w.e.f. 21st June, 2004. The confirmations from other Stock Exchanges viz. Delhi, Ludhiana & Kolkata, are yet to be received.

vi) Stock Code

Trade symbol at National Stock Exchange is PANACEABIO.

Bombay Stock Exchange Code is 531349.

ISIN No. for Dematerialisation : INE922B01023.

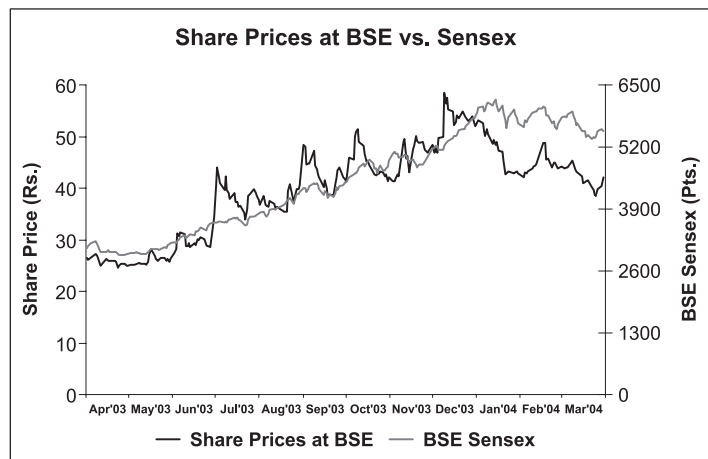
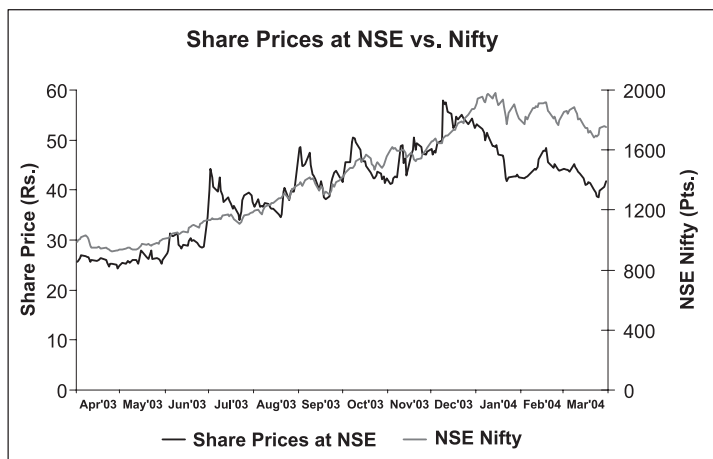


REPORT ON CORPORATE GOVERNANCE

vii) **Stock Market Price** at National Stock Exchange (NSE) and the Stock Exchange at Mumbai (BSE).

Month	Share Prices at NSE		Share Prices at BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2003	27.60	24.00	28.45	24.00
May, 2003	29.10	23.45	29.00	25.00
June, 2003	34.50	25.00	34.20	25.00
July, 2003	46.70	32.00	47.00	33.70
August, 2003	42.10	34.00	42.00	34.50
September, 2003	51.95	37.05	52.00	38.00
October, 2003	54.20	39.50	55.40	40.00
November, 2003	52.95	39.50	52.60	40.55
December, 2003	62.25	46.15	61.80	45.00
January, 2004	55.05	40.75	61.50	40.65
February, 2004	49.80	41.50	49.95	38.35
March, 2004	45.80	38.10	46.70	38.00

Comparison of daily closing prices of the Company's share with broad-based indices viz. NSE Nifty & BSE Sensex



viii) **Registrar and Transfer Agents**

M/s. Skyline Financial Services Pvt. Ltd., are acting as Registrar & Transfer Agents (RTA) for handling the shares related matters both in physical as well as dematerialized mode. All work relating to shares are being done by M/s. Skyline Financial Services Pvt. Ltd., New Delhi. The Shareholders are therefore, advised to send all their correspondence relating to shares to the Company's RTA only. However, for the convenience of shareholders, documents relating to shares will continue to be also received by the Company at its Registered / Corporate Office.

ix) **Share Transfer System**

The Company's shares transfer authority has been delegated to Share Transfer-cum-Investors' Grievance Committee. The Committee generally meets on monthly and as and when required to expedite all matters relating to transfer, transmission, transposition and dematerialisation of shares and redressal of Investors' grievance, etc., if any. The shares received by the Company/ RTA for registration of transfers, are processed by RTA and transferred expeditiously and the Share Certificate(s) are returned to the shareholder(s) by registered post.



REPORT ON CORPORATE GOVERNANCE

x) Dematerialisation of Shares and its liquidity

The Company has been among the few top most companies in India in which maximum number of shares have been dematerialised. As on 31st March, 2004, 97.62% of the Company's total Equity Share Capital representing 5,57,18,540 Equity Shares were held in dematerialised form and balance 13,58,060 Equity Shares were in paper/physical form.

The shareholders holding shares in physical form are requested to get their shares dematerialised at the earliest as the Company's Shares are required to be compulsorily traded in dematerialised form.

The shares of the Company are regularly traded at Bombay Stock Exchange and National Stock Exchange.

xi) Share Dematerialisation System

The requests for dematerialisation of shares are processed by RTA expeditiously and the confirmation in respect of dematerialisation of shares is entered by RTA in the depository system of the respective depositories, by way of electronic entries for dematerialisation of shares generally on weekly basis. In case of rejections, the documents are returned under objection to the Depository Participant with a copy to the shareholder and electronic entry for rejection is made by RTA in the Depository System.

xii) Distribution of Shareholding as on 31st March, 2004

No. of Shares	No. of Shareholders	No. of Shares
0-2500	5,285	28,68,087
2501-5000	148	5,72,343
5001-10000	35	2,71,309
10001-100000	29	8,93,261
100001 and above	33	5,24,71,600

xiii) Pattern of Shareholding as on 31st March, 2004

S. No.	Category	No. of Shares	Percentage
1.	Promoters & Relatives	4,41,71,600	77.390
2.	Domestic Companies	11,99,081	2.101
3.	Non-resident Indians (NRIs)	14,780	0.026
4.	Overseas Corporate Bodies (OCBs)	57,41,000	10.058
5.	Foreign Institutional Investors (FIIs)	12,90,000	2.260
6.	Indian Public	46,29,322	8.111
7.	Clearing Member	30,817	0.054

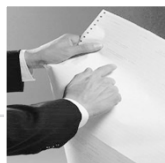
xiv) No GDRs/ ADRs/ Warrant or any convertible instruments were outstanding as on 31st March, 2004.

xv) Plant Locations

- Village Samalheri, Ambala-Chandigarh Highway, Larlu-140 501, Punjab.
- B-1/E-12, Mohan Co-operative Indl. Estate, Mathura Road, New Delhi - 110 044.
- A-241/242, Okhla Indl. Area, Phase II, New Delhi - 110 020.

xvi) Other material information

- Alteration in Memorandum of Association: During the year, the Authorised Share Capital of the Company was increased from Rs.22,50,00,000 to Rs.122,50,00,000 by way of addition of 10,00,00,000 Preference Shares of Rs.10/- each aggregating Rs. 100,00,00,000.
- Transfer of unclaimed amounts to Investors' Education and Protection Fund (IEPF): During the year, an amount of Rs.13,444/- lying unclaimed in Unpaid Dividend Accounts in respect of Dividend for the Financial Year 1995-96 has been transferred to IEPF pursuant to the provisions of section 205C of the Companies Act, 1956 and rules made thereunder. Similarly, the amount lying unclaimed in Unpaid Dividend Account in respect of Dividend for the Financial Year 1996-97 would be transferred to the said Fund on or before 17th October, 2004.



REPORT ON CORPORATE GOVERNANCE

xvii) Address for correspondence

For share transfer/
dematerialisation of shares,
payment of dividend and any
other query relating to shares

Skyline Financial Services Pvt. Ltd.

(Unit: Panacea Biotec Limited)
123, Vinoba Puri, Lajpat Nagar II,
New Delhi – 110024, India.

Phone : +91-11-298 33777, 298 47136
Fax : +91-11- 29848352
E-mail : skyline_fspl@rediffmail.com
agarwalp7@hotmail.com

For investors assistance

The Company Secretary,

Panacea Biotec Limited

B-1 Extn./G-3, Mohan Co-operative Indl. Estate,
Mathura Road, New Delhi - 110 044, India.

Phone : +91-11-51679000 Extn. 2081
Fax : +91-11-51679075, 51679070
E-mail : companysec@pblintranet.com
Contact Person : Mr. Vinod Goel, Company Secretary /
Ms. Sangeeta Nagpal, Secretarial Officer

New Delhi
30th June, 2004

For and on behalf of the Board
SOSHIL KUMAR JAIN
Chairman

AUDITORS' CERTIFICATE

To

The Members of Panacea Biotec Limited

We have examined the compliance of conditions of Corporate Governance by Panacea Biotec Limited, for the year ended on 31st March 2004, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor's grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R. Batliboi & Co.

Chartered Accountants
Per

MANOJ GUPTA

Partner
Membership No. : 83906

Place : New Delhi
Dated : 30th June, 2004



AUDITORS' REPORT

To the members of Panacea Biotec Limited

1. We have audited the attached Balance Sheet of Panacea Biotec Limited as at March 31, 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;

- b) in the case of the Profit & Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants
Per

MANOJ GUPTA

Partner

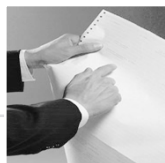
Membership No. 83906

Place: New Delhi

Dated: 30th June, 2004

Annexure referred to in paragraph 3 of our report of even date, Re: Panacea Biotec Limited

- i)
 - a) *The Company is maintaining fixed assets records in quantitative terms. However, for other details/particulars, the Company is in the process of updating the records.*
 - b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
 - c) There was no substantial disposal of fixed assets during the year.
- ii)
 - a) The management has conducted physical verification of inventory at reasonable intervals during the year.
 - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii)
 - a) The Company had taken loan from 28 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.11,96,00,000 and the year-end balance of loans taken from such parties was Rs.11,83,50,000. The Company has not granted any loans to parties covered under Section 301 of the Companies Act, 1956.
 - b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans taken, are not prima facie prejudicial to the interest of the Company.
 - c) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest have been regular.
 - d) There is no overdue amount of loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, and having regard to the explanations that some of the items are of a specialized nature for which alternative quotations are not available,



ANNEXURE TO THE AUDITORS' REPORT

- there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- v) a) According to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions with parties with whom transactions exceeding value of Rupees five lakhs have been entered into during the financial year are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under, to the extent applicable, have been complied with. We are informed by the management that no order has been passed by the National Company Law Tribunal under Sections 58A and 58AA.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, wealth tax, sales tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no dues of provident fund, investor education and protection fund, employees' state insurance, sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks or debenture holders.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) As informed, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment and no long-term funds have been used to finance short-term assets except in respect of Preference Share Capital of Rs.90,43,49,140 raised during the year, which has been used to meet the working capital requirements of the Company.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) Security was created in respect of the debentures issued by the Company in earlier years and outstanding at the end of year.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Co.
Chartered Accountants
Per

MANOJ GUPTA
Partner
Membership No. 83906

Place: New Delhi
Dated: 30th June, 2004



BALANCE SHEET AS AT 31st MARCH, 2004

(Amount in Rs.)

	Schedule		As at 31st March, 2004		As at 31st March, 2003
SOURCES OF FUNDS					
1. Shareholders' Funds					
Share Capital	I	101,49,83,306		11,06,34,166	
Reserves & Surplus	II	103,89,78,398	205,39,61,704	94,81,33,998	105,87,68,164
2. Loan Funds					
Secured Loans	III	142,20,47,200		118,18,25,101	
Unsecured Loans	IV	27,86,03,606	170,06,50,806	13,69,03,551	131,87,28,652
3. Deferred Tax Liability (Net)					
Total			382,93,95,344		243,80,96,215
APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	V	139,39,73,415		82,65,35,698	
Less : Depreciation		42,75,47,856		31,80,04,640	
Net Block		96,64,25,559		50,85,31,058	
Capital Work-in-Progress (including Pre-operative expenditure) (Refer Note No.B 3 of Schedule XVII)		8,81,10,311	105,45,35,870	45,44,97,772	96,30,28,830
2. Investments					
	VI		3,91,03,350		5,26,47,360
3. Current Assets, Loans & Advances					
Current Assets					
Inventories		176,38,71,243		154,48,57,625	
Sundry Debtors		49,20,95,615		17,46,80,552	
Cash & Bank Balances		63,49,82,174		6,41,13,669	
Other Current Assets		84,52,893		1,21,73,030	
Loans and Advances		18,86,76,000		11,10,64,476	
Sub-total (A)		308,80,77,925		190,68,89,352	
Less : Current Liabilities & Provisions					
Current Liabilities	VIII	26,75,78,553		38,99,90,068	
Provisions		10,40,26,076		11,85,85,503	
Sub-total (B)		37,16,04,629		50,85,75,571	
Net Current Assets (A)-(B)			271,64,73,296		139,83,13,781
4. Miscellaneous Expenditure					
(To the extent not written off or adjusted)	IX		1,92,82,828		2,41,06,244
Total			382,93,95,344		243,80,96,215
Significant Accounting Policies and Notes to Accounts	XVII				

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date

S.R. Batliboi & Co.

Chartered Accountants

Per

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA

Partner

Membership No. 83906

Place : New Delhi

Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

(Amount in Rs.)

	Schedule	For the year ended 31st March, 2004	283,85,75,040	For the year ended 31st March, 2003
INCOME				
Sales (Net of discounts)		271,50,17,423		283,85,75,040
Less : Excise Duty		<u>10,52,30,823</u>	260,97,86,600	14,70,54,133
Other Income	X	2,56,16,795		2,94,01,611
Total Income		<u>263,54,03,395</u>		<u>272,09,22,518</u>
EXPENDITURE				
Cost of Production	XI	140,19,03,123		140,81,39,344
Purchase of Finished Goods		2,73,48,656		11,75,01,913
Personnel Expenses	XII	25,00,60,081		23,56,68,848
Administrative Expenses	XIII	27,49,24,779		20,98,26,172
Interest & Finance Charges	XIV	8,80,13,716		11,87,42,076
Selling Expenses	XV	15,14,02,251		11,73,35,785
Research & Development Expenses	XVI	11,98,96,201		9,48,29,178
Miscellaneous Expenditure written off during the year		48,23,416		49,40,439
Depreciation		9,97,03,967		7,76,32,888
Total Expenditure		<u>241,80,76,190</u>		<u>238,46,16,643</u>
Profit Before Tax		21,73,27,205		33,63,05,875
Provision for Income Tax		5,35,00,000		13,50,00,000
Provision for Income Tax for earlier years		(1,48,40,482)		-
Deferred Income Tax (Refer Note No.B 9 of Schedule XVII)		1,41,83,435		(1,29,14,886)
Profit After Tax		16,44,84,252		21,42,20,761
Add: Balance brought forward from previous year		19,48,60,962		14,86,61,947
Debt Redemption Reserve written back		1,33,33,333		1,33,33,333
Profit available for Appropriations		<u>37,26,78,547</u>		<u>37,62,16,041</u>
APPROPRIATIONS				
Dividend - Equity Shares		5,70,76,600		5,70,76,600
- Preference Shares		81,99,722		66,23,253
Dividend Distribution Tax		83,63,530		81,55,226
Transfer to Capital Redemption Reserve		-		95,00,000
Transfer to General Reserve		10,00,00,000		10,00,00,000
Balance carried to Balance Sheet		<u>19,90,38,695</u>		<u>19,48,60,962</u>
Earning per Share - Basic		2.72		3.62
Earning per Share - Diluted		2.72		3.62
Face value per Share		1.00		1.00

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date

S.R. Batliboi & Co.

Chartered Accountants

Per

SOSHIL KUMAR JAIN
Chairman

For and on behalf of the Board

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA

Partner

Membership No. 83906

Place : New Delhi

Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE I - SHARE CAPITAL		
AUTHORISED		
Comprising of		
i) 12,50,00,000 Equity Shares of Re.1/- each (Previous Year 12,50,00,000 Equity Shares of Re.1/- each)	12,50,00,000	12,50,00,000
ii) 11,00,00,000 (Previous Year 1,00,00,000) Preference Shares of Rs.10/- each	110,00,00,000	10,00,00,000
	122,50,00,000	22,50,00,000
ISSUED, SUBSCRIBED & PAID UP		
5,70,76,600 Equity Shares of Re.1/- each * (Previous Year 5,70,76,600 Equity Shares of Re.1/- each)	5,70,76,600	5,70,76,600
Add: Forfeited Shares (Out of the above shares, 1,81,42,400 Equity Shares of Re.1/- each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years). *Excluding 1,49,000 Equity Shares of Re.1/- each forfeited on 15th May, 1999	92,566	92,566
	5,71,69,166	5,71,69,166
Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each		
Series - II 53,46,500 (Previous Year 53,46,500) 12% Preference Shares	5,34,65,000	5,34,65,000
Series - III 9,04,34,914 (Previous Year Nil) 4.5% Preference Shares	90,43,49,140	-
	101,49,83,306	5,34,65,000
		11,06,34,166

Notes:

RCPS Series - II : Redeemable at par at the end of five years from the date of allotment, with put option with the Company after the expiry of one year from the date of allotment. As per the terms of issue, the redemption dates are as under:

Redemption Date	Amount in Rs.
16 th July, 2004	2,55,56,200
30 th July, 2004	46,01,600
19 th Feb., 2005	2,33,07,200

RCPS Series - III : Redeemable at par at the end of tenth year from the date of allotment, with an option with the company to extend such redemption date which will not exceed 20 years from the date of allotment i.e. 16th March, 2004.

SCHEDULE II - RESERVES AND SURPLUS

1. CAPITAL REDEMPTION RESERVE			
Amount as per last Balance Sheet	5,90,35,000	4,95,35,000	
Add : Transfer from Profit & Loss Account	-	95,00,000	5,90,35,000
2. DEBENTURE REDEMPTION RESERVE			
Amount as per last Balance Sheet	2,66,66,667	4,00,00,000	
Less : Transferred to Profit & Loss Account	(1,33,33,333)	(1,33,33,333)	2,66,66,667
3. SHARE PREMIUM			
Amount as per last Balance Sheet	16,13,67,364	16,13,67,364	
4. GENERAL RESERVE			
Amount as per last Balance Sheet	50,62,04,005	40,62,04,005	
Add : Transfer from Profit & Loss Account	10,00,00,000	10,00,00,000	50,62,04,005
5. BALANCE IN PROFIT & LOSS ACCOUNT			
	19,90,38,695	19,48,60,962	
	103,89,78,398	94,81,33,998	



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE III - SECURED LOANS		
1. DEBENTURES		
4,00,000 16% Non-Convertible Debentures of face value of Rs.100/- each redeemable at par in three equal annual installments starting from 15th Feb. 2003 (Second installment of Rs.1,33,33,333 has been paid on 15.02.04)	1,33,33,334	2,66,66,667
2. RUPEE TERM LOANS		
i) Industrial Development Bank of India (Repayable within one year Rs. Nil (Previous Year Rs.49,95,000))	-	49,95,000
ii) Export-Import Bank of India Long Term Working Capital Loan (Repayable within one year Rs.2,58,40,346 (Previous Year Rs.2,81,25,000))	8,43,75,000	11,25,00,000
Production Equipment Finance Loan (Repayable within one year Rs.1,72,26,956 (Previous Year Rs.1,87,50,000))	5,62,50,000	7,50,00,000
iii) State Bank of Bikaner & Jaipur (Repayable within one year Rs.1,25,00,000 (Previous Year Rs.1,25,00,000))	4,37,50,075	5,00,00,000
iv) Short Term Loan from IDBI Bank Limited	-	10,00,00,000
3. FOREIGN CURRENCY LOANS		
i) Bank of Baroda (Repayable within one year Rs.1,84,16,645 (Previous Year Rs.2,00,18,550))	3,68,33,290	6,00,58,808
ii) Bank of Bahrain & Kuwait B.S.C. (Repayable within one year Rs.2,05,05,469 (Previous Year Rs. Nil))	8,88,57,031	-
iii) Term Loan from Industrial Development Bank of India (Repayable within one year Rs.1,73,72,250 (Previous Year Rs. Nil))	6,88,98,375	-
4. WORKING CAPITAL LOANS FROM SCHEDULED BANKS	102,97,50,095	75,26,04,626
	142,20,47,200	118,18,25,101

Notes :

1. Debentures are secured by way of first charge on land situated at Village Budasan, District Mehsana, Gujarat besides first charge on the Land admeasuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties of the Company pertaining to Lalru Unit on pari-passu basis with term lending institutions and charge on the whole of the movable properties, both present and future, subject to the prior charges created and/or to be created in favour of Company's Bankers for Working Capital Loans.
2. Term loans from Export-Import Bank of India are secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company, both present and future, besides first parri-pasu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future.
3. Term Loan from State Bank of Bikaner & Jaipur is secured by way of First pari-passu charge by hypothecation of entire movable fixed assets of the Company besides first pari-passu charge over all the immovable properties of the company admeasuring 96 bighas, 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE III - SECURED LOANS (Contd...)

4. Foreign Currency Loan from Bank of Baroda is secured by way of first pari-passu charge over the Company's all movable machineries including spare parts, both present and future, besides first pari-passu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future.
5. Foreign Currency Loan from Bank of Bahrain & Kuwait B.S.C. is secured by way of first pari-passu charge by hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit, both present and future.
6. Foreign Currency Loan from Industrial Development Bank of India is secured by way of first pari-passu charge by way of hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-pasu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future.
7. Working Capital Loans from Scheduled Banks are secured by hypothecation of present & future stocks of raw materials, stocks-in process, finished goods, consumable stores & spares, bills receivable, book debts, outstanding monies, receivable claims, trust receipts, and all other movables of the Company besides second pari-passu charge on the plant & machinery at all the divisions and immovable properties of the Company admeasuring 96 bighas, 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and equitable mortgage by deposit of title deeds in respect of Company's immovable property being land measuring 31 Bighas 8 Kilas situated at Mauza Jarot, Tehsil Rajpura together with all buildings, superstructures, plant & machinery constructed or to be constructed, installed or to be installed, present and future and accretions on the land except in case of Indian Overseas Bank, Syndicate Bank and Union Bank of India where creation of second pari-passu charge on fixed assets is pending.
8. The above loans are also collaterally secured by personal guarantees of the Promoter-Directors of the Company.

SCHEDULE IV - UNSECURED LOANS

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
Fixed Deposits (including Rs.11,83,50,000 from Directors, their relatives & Associates) (Repayable within one year Rs.5,67,00,000 (Previous Year Rs.1,30,50,000))	11,98,80,000	7,53,70,000
Mizuho Corporate Bank Ltd. (Repayable within one year Rs.3,50,00,000 (Previous Year Rs.3,50,00,000))	3,50,00,000	3,50,00,000
State Bank of Indore (Repayable within one year Rs.5,00,10,995 (Previous Year Rs. Nil))	5,00,10,995	-
State Bank of Mysore (Repayable within one year Rs.5,00,00,000 (Previous Year Rs. Nil))	5,00,00,000	-
Deposits from C&F Agents	2,37,12,611	2,65,33,551
	27,86,03,606	13,69,03,551



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE V - FIXED ASSETS

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 1st April, 2003	Additions during the year	Sale during the year	As at 31st March, 2004	Provided during the year	Deductions & Adjustments during year	As at 31st March, 2004	As at 31st March, 2003
Tangible Assets :								
Land - Freehold	3,55,14,415	-	-	3,55,14,415	-	-	-	3,55,14,415
Land - Leasehold	63,70,863	-	-	63,70,863	74,080	-	1,94,435	61,76,428
Buildings	17,36,22,780	9,44,97,564	76,00,000	26,05,20,344	1,25,65,073	6,63,637	6,48,04,480	19,57,15,864
Leasehold Improvements	3,56,78,542	2,40,94,424	-	5,97,72,966	1,33,80,049	-	3,00,30,035	2,97,42,931
Plant & Machinery	30,80,47,565	40,86,91,793	-	71,67,39,358	4,82,25,414	-	17,25,82,131	54,41,57,227
Furniture & Fittings	4,82,71,024	1,67,71,586	-	6,50,42,610	71,74,475	-	2,23,85,118	4,26,57,492
Vehicles	6,26,89,403	1,10,58,502	1,13,52,476	6,23,95,429	81,09,731	84,76,894	3,47,13,112	2,76,82,317
Office Equipments	4,86,71,953	1,51,81,174	-	6,38,53,127	66,60,214	-	1,73,66,009	4,64,87,118
Computer Equipments	4,95,91,505	78,38,381	-	5,74,29,886	91,87,290	-	4,02,37,373	1,71,92,513
Intangible Assets :								
Patents, Trade Marks & Copyrights	3,84,87,580	10,68,279	-	3,95,55,859	51,90,901	-	2,94,36,695	1,42,41,786
Softwares	1,03,87,373	71,88,490	-	1,75,75,863	35,15,173	-	65,95,773	73,06,773
Website	92,02,695	-	-	92,02,695	46,01,347	-	92,02,695	46,01,347
Total	82,65,35,698	58,63,90,193	1,89,52,476	139,39,73,415	11,86,83,747	91,40,531	42,75,47,856	50,85,31,058
Previous Year	64,39,56,146	18,64,36,150	38,56,598	82,65,35,698	9,63,19,640	26,89,848	31,80,04,640	41,95,81,298
Capital Work in Progress								45,44,97,772

Notes

1. Freehold Land includes Perpetual leasehold land amounting to Rs. 50,65,000 (Previous Year Rs.50,65,000) pending registration in the name of the Company.
2. Building includes building amounting to Rs.99,91,919 (Net Block) (Previous Year Rs.1,29,14,568) pending registration in the name of the Company.
3. Plant & Machinery includes Plant & Machinery amounting to Rs.95,86,926 (Net Block) (Previous Year Rs.58,08,754) lying with third party.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs.1,89,79,780 (Previous Year Rs.1,86,86,752).
5. Fixed Assets of Gross Value of Rs.32,18,58,339 (Accumulated Depreciation Rs.1,08,10,633) have been given on a operating lease to a Joint Venture Company.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE VI - INVESTMENTS		
LONG TERM INVESTMENTS (at cost)		
A. Quoted *		
36,455 Equity Shares (Previous year 46,900) of Rs.10/- each fully paid of IDBI Bank Ltd. Market Value Rs.18,06,345 (Previous year Rs.10,57,595)	6,56,190	8,44,200
B. Unquoted **		
1) Subsidiary Companies		
a) 1,98,250 Equity Shares (Previous Year 1,98,250) of Rs.10/- each fully paid in Radicura & Co. Ltd.	1,13,66,440	1,13,66,440
b) 1,90,216 Equity Shares (Previous Year 1,90,216) of Rs.10/- each fully paid of Best On Health Limited	2,28,83,050	2,28,83,050
c) Nil Equity Shares (Previous Year 2,00,000) of Great Britain Pound 1 each fully paid of Tayonics Ltd.	-	<u>1,33,56,000</u>
2) Joint Venture Company		
4,19,767 (Previous Year 4,19,767) Equity Shares of Rs.10/- each fully paid of Panheber Biotec Pvt. Ltd.	41,97,670	41,97,670
	<u>3,91,03,350</u>	<u>5,26,47,360</u>

* Non Trade Investments

** Trade Investments



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004		As at 31st March, 2003
SCHEDULE VII - CURRENT ASSETS, LOANS & ADVANCES			
A. CURRENT ASSETS			
Inventories			
i) Raw & Packing Materials (including lying with third parties Rs.3,20,33,009 (Previous Year Rs.43,32,754))	121,08,65,288		123,84,51,936
ii) Finished Goods	51,81,15,199		26,44,58,267
iii) Stock in Process	1,19,36,237		2,43,99,561
iv) Stores & Spares	2,29,54,519	176,38,71,243	1,75,47,861
			154,48,57,625
Sundry Debtors (Unsecured, considered good, unless otherwise stated)			
Over six months (including Rs.1,36,85,343 considered doubtful of recovery (Previous Year Rs.2,00,81,544))	3,87,28,196		3,80,63,000
Less: Provisions for Bad & Doubtful Debts	1,36,85,343		2,00,81,544
	2,50,42,853		1,79,81,456
Other Debts	46,70,52,762	49,20,95,615	15,66,99,096
			17,46,80,552
Cash And Bank Balances			
i) Cash in hand	14,41,942		12,60,310
ii) Balances with Scheduled Banks :			
a) In Cash Credit Accounts	17,30,446		3,60,701
b) In Current Accounts	1,78,59,610		71,80,886
c) In Collection Accounts	1,39,41,920		1,99,50,978
d) In Unpaid Divident Accounts	65,11,618		31,27,160
e) In Fixed Deposits *	8,83,34,029		1,29,52,074
f) In Exchange Earner Foreign Currency Current Accounts	50,51,14,999		1,77,71,821
iii) Balances with Non-scheduled Banks			
a) Bank of Foreign Trade - Moscow (maximum amount outstanding at any time during the year Rs.6,84,360 (Previous Year Rs.12,71,488))	5,909		6,84,360
b) Societe Generale Yugoslav Bank (maximum amount outstanding at any time during the year Rs.8,66,400 (Previous Year Rs.9,84,515))	41,701		8,25,379
		63,49,82,174	6,41,13,669
Other Current Assets			
DEPB & other Export Benefits receivable		84,52,893	1,21,73,030
B. LOANS & ADVANCES			
(Unsecured, considered good, unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received	8,26,48,972		9,18,68,032
Staff Loans & Advances (including Rs.21,55,468 (Previous Year Rs.11,55,468) considered doubtful which has been fully provided for)	80,44,760		90,01,375
Less: Provision for Bad & Doubtful Advances	21,55,468		11,55,468
	58,89,292		78,45,907
Security Deposits	1,37,16,340		1,13,50,537
Advance Income Tax (net of tax provision)	8,64,21,396	18,86,76,000	-
		308,80,77,925	11,10,64,476
			190,68,89,352

* Fixed Deposits amounting to Rs.79,83,655 (Previous Year Rs.1,24,68,618) are pledged with Banks and various Government Authorities.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE VIII - CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
i) Acceptances	90,67,069	1,03,78,333
ii) Creditors for Goods, Services & Expenses		
Small Scale Industries	7,204	35,560
Other Creditors	24,13,40,465	36,12,30,540
iii) Advances from Customers	10,33,395	10,93,707
iv) Unclaimed Dividend *		
Equity Shares	9,96,236	7,93,186
Preference Shares	52,46,587	21,00,305
v) Other Liabilities	77,42,697	79,86,990
vi) Book Overdraft	3,63,928	17,38,742
vii) Interest accrued but not due on loans	17,80,972	46,32,705
	26,75,78,553	38,99,90,068
B. PROVISIONS		
i) Provision for Wealth Tax	2,20,000	2,02,860
ii) Provision for Income Tax (Net of Advance Tax)	-	1,28,04,566
iii) Dividend on Equity Shares	5,70,76,600	5,70,76,600
iv) Dividend on Preference Shares	64,15,800	65,73,937
v) Provision for Dividend Tax	81,34,965	81,55,226
vi) Provision for Gratuity/Leave Encashment	3,21,78,711	11,85,85,503
	10,40,26,076	3,37,72,314
	37,16,04,629	50,85,75,571

* This amount does not include the amount due/ outstanding to be credited to Investor Education and Protection Fund.

SCHEDULE IX - MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

i) Product Registration Expenses			
As per last Balance Sheet	1,03,59,925	93,28,471	
Add : Additions during the year	-	44,93,212	
	1,03,59,925	1,38,21,683	
Less: Written off during the year	31,41,016	72,18,909	34,61,758
			1,03,59,925
ii) License Fees			
As per last Balance Sheet	1,37,46,319	1,37,25,000	
Add : Additions during the year	-	15,00,000	
	1,37,46,319	1,52,25,000	
Less: Written off during the year	16,82,400	1,20,63,919	14,78,681
		1,92,82,828	1,37,46,319
			2,41,06,244



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
SCHEDULE X - OTHER INCOME		
Interest Received on Fixed Deposits (Gross) (Tax deducted at source Rs. 2,37,877 (Previous Year Rs. 9,55,755))	33,57,043	46,51,443
Export Incentives	1,40,69,630	1,12,63,392
Dividened on Non-Trade Investments (Gross)	58,625	46,900
Miscellaneous Balances/Provisions written back	10,99,245	-
Income from R&D Services	64,43,381	1,15,11,254
Sale of Scrap	17,570	38,494
Miscellaneous Receipts	1,22,835	18,90,128
Profit on sale of investment	4,48,466	-
	2,56,16,795	2,94,01,611
SCHEDULE XI - COST OF PRODUCTION		
(Increase)/ Decrease in Stocks		
Closing Stock		
Finished Goods	51,81,15,199	26,44,58,267
Stock in Process	1,19,36,237	53,00,51,436
Less :Opening Stock		
Finished Goods	26,44,58,267	20,12,35,974
Stock in Process	2,43,99,561	28,88,57,828
	28,88,57,828	79,00,329
	(24,11,93,608)	(7,97,21,525)
Raw Materials & Packing Materials consumed		
Opening Stock	123,84,51,936	60,31,53,409
Add: Materials purchased during the Year	148,43,75,313	200,89,99,730
	272,28,27,249	261,21,53,139
Less: Sale during the year	59,34,860	1,19,27,694
Less: Closing Stock	121,08,65,288	123,84,51,936
	150,60,27,101	136,17,73,509
Less: Materials consumed for Research & Development	1,28,67,109	22,51,088
Total Materials consumed	149,31,59,992	135,95,22,421
Processing Charges	2,14,74,066	7,04,976
Analytical Testing & Trial Charges	31,61,880	24,74,824
Stores & Spares consumed (indigenous only)	1,15,40,302	1,43,03,901
Power & Fuel	3,01,24,847	4,90,66,496
Wages	4,94,72,076	3,33,02,097
Repair & Maintenance		
Factory Building	1,05,67,384	58,76,453
Plant & Machinery	53,27,150	62,88,546
Rent Factory	1,82,69,034	1,63,21,155
	140,19,03,123	140,81,39,344



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
SCHEDULE XII - PERSONNEL EXPENSES		
Salary & Wages	21,72,28,052	20,40,29,338
Contribution to Provident and Other Funds	1,29,59,306	1,10,89,355
Bonus & Ex-gratia	70,72,395	82,18,948
Staff Welfare Expenses	1,28,00,328	1,23,31,207
	25,00,60,081	23,56,68,848
SCHEDULE XIII - ADMINISTRATIVE EXPENSES		
Rent	41,58,737	58,47,140
Directors' Remuneration	2,21,65,290	2,02,07,762
Directors' Sitting Fees	3,95,000	3,65,000
Printing & Stationery	1,13,07,245	97,66,936
Postage & Communication Expenses	2,36,56,388	1,89,43,304
Insurance	1,53,26,394	1,33,59,039
Travelling & Conveyance Expenses	4,05,64,191	3,21,56,861
Books & Periodicals	4,29,969	4,08,708
Legal & Professional Charges	6,51,21,738	2,78,86,546
Vehicle Running & Maintenance	69,34,962	60,65,444
Repair & Maintenance		
Non-factory Buildings	48,48,385	67,59,176
Others	1,70,50,091	1,77,42,352
Auditors' Remuneration		
Statutory Audit Fees	25,49,775	15,00,000
Certification etc.	5,52,751	6,85,675
Out of Pocket Expenses	80,125	85,925
Rates, Fees & Taxes	1,00,65,094	66,56,143
Donation	28,72,100	6,20,100
Subscription	18,44,408	54,99,428
Electricity & Water Charges	87,60,425	56,99,576
Staff Training & Recruitment	1,11,83,486	42,64,545
Sundry Expenses	1,09,93,957	1,03,77,896
Provision for Bad & Doubtful Debts	1,02,83,682	1,40,00,000
Provision for Doubtful Advances	10,00,000	7,00,000
Loss on Sale of Fixed Assets	13,94,946	2,28,616
Loss on Winding up of Subsidiary	13,85,640	-
	27,49,24,779	20,98,26,172
SCHEDULE XIV - FINANCIAL EXPENSES		
Interest on:		
a) Debentures/Other Fixed Loans	7,20,86,457	6,20,75,383
b) Others	5,13,31,149	6,72,13,605
Exchange Fluctuation Loss / (Gain) - net	(5,12,85,841)	(2,35,53,431)
Bank Charges	1,58,81,951	1,30,06,519
	8,80,13,716	11,87,42,076



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
SCHEDULE XV - SELLING EXPENSES		
Advertising	1,61,09,568	40,04,603
Meetings & Conferences	1,77,33,492	1,10,61,736
Sales Promotion	1,10,08,877	98,62,098
Freight & Cartage	1,86,60,085	1,88,99,146
Commission on Sales	93,23,236	85,28,379
Rent for Cold Storage & Depots	59,58,669	61,78,894
Marketing Expenses	7,26,08,324	5,88,00,929
	<u>15,14,02,251</u>	<u>11,73,35,785</u>
SCHEDULE XVI - RESEARCH AND DEVELOPMENT EXPENSES		
Raw Materials & Packing Materials consumed	1,28,67,109	22,51,088
Stores & Spares consumed (indigeneous only)	67,97,094	41,60,624
Processing Charges	-	3,68,450
Salary, Wages & Bonus	3,46,26,901	2,90,02,126
Contribution to Provident & Other Funds	12,63,243	12,04,084
Staff Welfare Expenses	33,03,641	24,94,834
Analytical Testing & Trial Charges	1,83,09,744	1,33,40,391
Rent	12,56,440	1,20,680
Directors' Remuneration	1,83,333	22,00,000
Printing & Stationary	4,52,510	4,43,152
Postage & Communication	6,69,032	5,50,410
Insurance	3,70,683	5,88,888
Travelling Expenses	51,87,366	42,64,805
Books & Periodicals	2,16,609	3,20,817
Legal & Professional Expenses	35,48,715	76,71,928
Vehicle Running & Maintenance	11,98,018	13,42,736
Repair & Maintenance		
Buildings	13,66,728	14,01,774
Plant & Machinery	6,91,039	2,50,758
Others	<u>8,28,765</u>	<u>9,73,521</u>
Rates, Fees & Taxes	3,36,550	64,871
Donation	60,000	10,28,200
Subscription	21,88,479	3,49,469
Electricity & Water Charges	4,85,798	3,48,011
Meetings & Conferences	30,18,165	5,78,749
Staff Training & Recruitment	12,55,894	3,04,412
Bank Charges	(3,29,481)	1,03,229
Depreciation	1,89,79,780	1,86,86,752
Sundry Expenses	7,64,046	4,14,419
	<u>11,98,96,201</u>	<u>9,48,29,178</u>



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of income from certain export licenses which in view of uncertainty involved, is accounted for on cash basis.

2. Uses of Estimates

The presentation of financial statements in conformity with the Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

3. Revenue Recognition

Sales are recognised at the time of constructive delivery of goods and are stated net of trade discounts, returns and sales tax but include excise duty.

Income from Research & Development Services is accounted for as per the stage of completion.

4. Export Benefits

Export benefits under Duty Exemption Pass Book Scheme and Advance Licenses are accounted for in the year of export of goods except in case of certain licenses which are accounted for on cash basis in view of uncertainty involved as mentioned in Para 1 above.

5. Fixed Assets

Fixed assets are stated at historical cost of acquisition or construction and include all other incidental expenses related to acquisition and any attributable cost of bringing the asset to its working condition for its intended use.

6. Expenditure during Construction Period

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

7. Intangibles

Acquired Intangibles are stated at the cost of acquisition. In case of internally generated intangibles, they are stated at directly attributable cost.

8. Depreciation

a) Depreciation on fixed assets is provided (except in case of software & website, patents, trademarks, copyrights & leasehold improvements) on written down value method as per the rates and the manner prescribed in Schedule XIV to the Companies Act, 1956.

b) Depreciation on intangibles is provided as follows:-

Software	-	Depreciated on Straight Line basis over a period of 5 years.
Websites	-	Depreciated on Straight Line basis over a period of 2 years.
Patent/Trade Mark & Copyrights	-	Depreciated on Straight Line basis over a period of 7 years.

c) Leasehold Improvements are amortized over the initial period of lease.

9. Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of an asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to fixed assets, are recognized as an expense in the period in which they are incurred.

10. Deferred Revenue Expenditure

a) Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

markets and product acquisition were categorized as Miscellaneous Expenditure. Such deferred revenue expenditure are amortized over a period of five years beginning from the year of product registration. Expenditure of the similar nature incurred during the year are charged off to revenue.

- b) Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter.

11. Investments

Long-term investments are stated at cost. A provision for diminution (if any) is made to recognise a decline, other than temporary, in the value of long-term investments.

12. Inventories

Finished Goods, Stock in process, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spares } At the lower of cost and net realisable value

Cost of Raw Materials, Packing materials and Stores & Spares is arrived at by using 'First-in-first out' method.

Cost of stock in process, finished goods is determined by considering direct material cost and appropriate portion of factory and administrative overheads. Cost of traded goods is arrived at by using 'First-in-first out' method.

13. Custom & Excise Duty

Custom Duty on materials lying in bonded warehouses and Excise Duty on manufactured goods lying in the factory premises is accounted for on accrual basis.

14. Research and Development

Revenue expenditure incurred on Research & Development is charged to Profit & Loss Account of the year in which it is incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognized as an asset to the extent that it is expected that such assets will generate future economic benefits.

Capital Expenditure on Research & Development is included in the gross block of fixed assets and depreciation thereon is provided on Written Down Value method as per the rates and the manner prescribed in Schedule XIV to the Companies Act, 1956.

15. Employee Terminal Benefits

- a) **Provident Fund:** Company's contribution to defined contribution schemes being Provident Fund is accrued as per the terms of contracts with the employees and provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to Profit and Loss Account.
- b) **Gratuity:** Provision for Gratuity is made on the basis of actuarial valuation made by an independent actuary as of the balance sheet date.
- c) **Leave Encashment:** Provision for leave encashment benefit to the employees as per Company's policy is made on the basis of actuarial valuation made by an independent actuary as of the balance sheet date.

16. Foreign Currency Transactions

- a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.
- b) Investments in foreign companies are continued to be accounted for at the exchange rates prevailing on the dates of making the investments.
- c) Assets and liabilities (except non-monetary assets) related to foreign currency transactions, remaining unsettled at the year-end, are stated at year-end rates. In cases where the foreign currency assets and liabilities are covered by Forward Exchange Contract, the same are stated at forward contract rates and resultant exchange difference is spread over the life of the contract.
- d) Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets, in which case they are adjusted to the carrying value of such fixed assets.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

17. Income Taxes

- a) Provision is made for current income tax liability, which is likely to arise on the results for the year at the current rate of tax in accordance with the provisions of Income Tax Act, 1961.
- b) Deferred income tax is provided, using the liability method, on all timing differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
- c) Deferred tax assets are recognised only to the extent that there is reasonable certainty of their realisation.
- d) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date.

18. Earning per Share

The basic earning per share ("EPS") is computed by dividing the net profit after tax for the year (net of dividend on Preference Shares) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earning per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

19. Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities

(Amount in Rs.)

Particulars	Current Year	Previous Year
i. Disputed demands/ show-cause notices under sales tax, income tax, customs & excise	65,96,620	1,93,12,428
ii. Labour cases	23,28,510	17,02,692
iii. Other claims against the Company not acknowledged as debts	20,29,000	10,69,000
iv. Differential Custom Duty for imports under EPCG scheme	36,64,130	33,82,792

2. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for amount to Rs.2,04,40,500 (Previous Year Rs.1,07,43,216).
3. The Company's vaccine plant at Lalru (Punjab) has started commercial production on January 10, 2004. Accumulated preoperative expenses amounting to Rs. 3,56,08,277 have been allocated to fixed assets on an appropriate basis.

4. (a) Directors' Remuneration

(Amount in Rs.)

Particulars	Current Year	Previous Year
Managing / Joint Managing Directors / Whole-time Directors		
Salary	2,04,86,667	1,88,54,839
Royalty	58,333	7,00,000
Perquisites	28,21,734	38,47,751
Total	2,33,66,734	2,34,02,590
Non-Executive Directors		
Allowances	11,12,000	16,09,000
Sitting Fees	3,95,000	3,65,000
Total	15,07,000	19,74,000
Grand Total	2,48,73,734 *	2,53,76,590 *

*** Notes:**

1. Provision for Leave Encashment and Gratuity amounting to Rs.13,42,042 (Previous Year Rs.4,60,934) and Rs.31,72,923 (Previous Year Rs.14,53,582) respectively made during the year has not been included above.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

2. Perquisites amounting to Rs.24,28,182 (Previous Year Rs.29,07,398) have been included under various heads of expenses in the Profit & Loss Account and also includes surrender value of a Keyman Insurance Policy amounting to Rs.4,97,750 has been assigned to one of the Directors.
3. Gratuity and Leave encashment amounting to Rs.2,99,038 (Previous Year Rs.4,32,692) and Rs.3,73,077 (Previous Year Rs.9,13,462) respectively has been paid to a retiring Director.

(b) Computation of net profit in accordance with section 349 of the Companies Act, 1956.

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit as per Profit & Loss Account (before taxes & extraordinary items)	21,73,27,205	33,63,05,875
Add:		
Directors' Remuneration	2,48,73,734	2,53,76,590
Provision for Doubtful Debts and Advances	1,12,83,682	1,47,00,000
Net profit in accordance with section 349 of Companies Act,1956	25,34,84,621	37,63,82,465
Maximum amount permissible under section 309 of the Companies Act,1956 for payment to		
a) Managing/ Joint Managing Directors/ Whole-time Directors	2,53,48,462	3,76,38,246
b) Non-Executive Directors	25,34,846	37,63,825

5. The names of Small Scale Industrial Undertakings to whom the Company owes a sum, which is outstanding for more than 30 days, are as under: -
 - Shiva Chemicals Co.
 - Sukkan Industries
6. Profit/Loss on sale of Raw Materials & Packing Materials has been adjusted in consumption thereof and has not been shown separately.
7. In the opinion of the management, all the current assets, loans & advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.
8. **Earnings per Share**

(Amount in Rs.)

S.No.	Particulars	Current Year	Previous Year
a.	Net profit available for Equity Shareholders		
	Net profit after tax	16,44,84,252	21,42,20,761
	Less: Dividend (including dividend tax) on Preference Shares	92,50,312	74,65,539
	Net profit after tax available for Equity Shareholders	15,52,33,940	20,67,55,222
b.	Calculation of Weighted Average Number of Equity Shares of Re.1/- each		
	Number of Equity Shares at the beginning of the year	5,70,76,600	5,70,76,600
	Total number of Equity Shares outstanding at the end of the year	5,70,76,600	5,70,76,600
c.	Basic Earnings (in Re.1/-) per Share	2.72	3.62
d.	Diluted Earnings (in Re.1/-) per Share	2.72	3.62



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

9. Deferred Tax Liabilities (Net)

The break-up of Deferred Tax Liability is as follows:

(Amount in Rs.)

Nature of Timing Differences	Deferred Tax Asset/(Liability) as at 01.04.2003	Current year (Charges)/Credit	Deferred Tax Asset/(Liability) as at 31.03.2004
Depreciation	(6,80,39,984)	(1,66,88,528)	(8,47,28,512)
Deferred Revenue Expenses	(86,48,115)	17,30,400	(69,17,715)
Disallowance under Section 43B	1,29,00,259	13,70,491	1,42,70,750
Others	31,88,441	(5,95,798)	25,92,643
Total	(6,05,99,399)	(1,41,83,435)	(7,47,82,834)

10. Related Party Disclosures

A. List of Related Parties

- a) **Joint Ventures** Panheber Biotec Pvt. Ltd.
- b) **Subsidiaries** Best On Health Limited
Radicura & Co. Limited
Tayonics Limited (Wound up on 04th July 2003)
- c) **Key Management Personnel**
- Shri Soshil Kumar Jain - Chairman and Whole-time Director
 - Shri Ravinder Jain - Managing Director
 - Shri Rajesh Jain - Joint Managing Director
 - Shri Sandeep Jain - Joint Managing Director
 - Shri Ashwani Jain - Whole-time Director
 - Shri Sunil Anand - Whole-time Director (Joined on 24th April, 2003)
 - Dr. Amarjit Singh - Whole-time Director (Upto 30th April, 2003)

(b) List of Persons having controlling interest together with their relatives

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
Soshil Kumar Jain			Nirmala Jain	Surinder Kumar Jain	Bimla Devi Jain	Ravinder Jain, Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Soshil Kumar Jain (HUF), Radhika Associates
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain (HUF), Sumit Nipun & Co.
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Ankesh Jain, Harshet Jain, Taric Jain		Rajesh Jain (HUF), Rattan Sons
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	Rashmi Jain, Renu Jain	Tanish Jain	Priyanaka Jain	Sandeep Jain (HUF), Tahir & Co.
Ashwani Jain		Laxmi Jain	Rashmi Jain		Anita Jain			

e) Relatives of Key Management Personnel having transactions with the Company

Jyoti Singh - wife of Dr. Amarjit Singh



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. Details of Transactions with the Related Parties

(Amount in Rs.)

Particulars	Subsidiaries	Joint Ventures	Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
Purchase of Materials/Finished Goods (net)	41,010 (88,012)	87,54,781 (-)	- (-)	- (-)	87,95,791 (88,012)
Sale of Finished Goods (Net of Credit Notes)	1,95,54,490 (3,78,34,062)	- (-)	- (-)	- (-)	1,95,54,490 (3,78,34,062)
Shares purchased in Subsidiary Companies	- (-)	- (-)	- (3,600)	- (4,740)	- (8,340)
Recovery of Expenses / Services	- (-)	3,99,49,578 (-)	- (-)	- (-)	3,99,49,578 (-)
Rent Paid	28,80,000 (28,80,000)	- (-)	- (-)	- (-)	28,80,000 (28,80,000)
Rent Received	- (-)	84,000 (84,000)	- (-)	- (-)	84,000 (84,000)
Remuneration	- (-)	- (-)	2,33,66,734 (2,34,02,590)	24,914 (3,05,268)	2,33,91,648 (2,37,07,858)
Interest Expense on Fixed Deposits	1,08,493 (29,589)	- (-)	62,45,380* (42,04,294)	53,14,500 (28,43,051)	1,16,68,373 (70,76,934)
Dividend Paid - Preference Shares	- (-)	- (-)	18,41,496 (-)	32,11,944 (-)	50,53,440 (-)
Dividend Paid - Equity Shares	- (-)	- (-)	1,96,80,200 (2,02,02,930)	2,45,30,400 (2,45,49,860)	4,42,10,600 (4,47,52,790)
Investments	3,42,49,490 (4,76,05,490)	41,97,670 (41,97,670)	- (-)	- (-)	3,84,47,160 (5,18,03,160)
Outstanding Receivables	72,75,928 (30,91,716)	4,55,94,450 (-)	- (-)	- (-)	5,28,70,378 (30,91,716)
Outstanding Fixed Deposits	- (-)	- (-)	5,66,00,000 (4,31,00,000)	6,13,50,000 (3,13,50,000)	11,79,50,000 (7,44,50,000)

* Includes Rs. 42,42,629 (Previous Year Rs. 28,35,660) paid to the Managing/ Joint Managing Directors.

Note: 1. Figures in brackets represent previous year figures (2002-03).

2. In respect of personal guarantee given by Promoter-Directors refer Note no. 8 of Schedule III.

11. Segment Reporting Policies

a) Identification of Segments

Primary Segment

Business Segment: The Company's operating businesses are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are Vaccines, Formulations and Research & Development activities.

Secondary Segment

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows:

- Sales within India includes sales to customers located within India.
- Sales outside India includes sales to customers located outside India.

b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

c) Unallocated Items: Corporate income and expense are considered as a part of Unallocable income & expense, which are not identifiable to any business segment.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

A. INFORMATION ABOUT PRIMARY SEGMENTS

(Amount in Rs.)

Particulars	Formulations		Research & Development		Vaccines		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Revenue								
External sales (net of excise duty)	111,46,04,438	99,26,73,071	-	-	149,51,82,162	169,88,47,836	260,97,86,600	269,15,20,907
Other Income	1,41,26,035	1,77,97,802	64,43,381	1,15,11,254	-	(65,34,410)	2,05,69,416	2,27,74,646
Total	112,87,30,473	101,04,70,873	64,43,381	1,15,11,254	149,51,82,162	169,23,13,426	263,03,56,016	271,42,95,553
Segment Result	11,53,85,683	15,48,59,501	(11,34,52,822)	(8,33,17,922)	49,36,88,822	51,45,23,678	49,56,21,683	58,60,65,257
Unallocated Corporate Expenses							(19,53,28,141)	(13,76,44,271)
Operating Profit	11,53,85,683	15,48,59,501	(11,34,52,822)	(8,33,17,922)	49,36,88,822	51,45,23,678	30,02,93,542	44,84,20,986
Interest & Finance charges							(8,80,13,716)	(11,87,42,076)
Other Income							50,47,379	66,26,965
Income Taxes							(5,28,42,953)	(12,20,85,114)
Net Profit							16,44,84,252	21,42,20,761
Other information								
Segment Assets	88,55,11,702	86,96,21,054	18,76,14,758	17,55,36,004	268,05,57,673	168,66,49,393	375,36,84,133	273,18,06,451
Unallocated Corporate Assets							44,73,15,840	21,48,65,335
Total Assets							420,09,99,973	294,66,71,786
Segment Liabilities	25,77,13,272	10,62,84,390	15,80,197	7,49,012	1,30,91,242	26,11,99,126	27,23,84,711	36,82,32,528
Unallocated Corporate Liabilities							187,46,53,558	151,96,71,094
Total Liabilities							214,70,38,269	188,79,03,622
Capital Expenditure – Additions	9,01,15,312	5,31,28,377	2,93,22,908	1,59,62,521	37,83,24,557	2,41,93,507		
Non-Cash Expenses other than Depreciation	1,12,83,682	1,47,00,000						
Depreciation	3,31,25,201	3,02,06,696	1,89,79,780	1,86,86,752	2,82,53,828	1,23,23,239		

B. INFORMATION ABOUT SECONDARY SEGMENTS

(Amount in Rs.)

	Current Year	Previous Year
a) Revenue as per Geographical Markets		
India (including deemed exports Rs.147,31,46,334 (Previous Year Rs.138,07,32,332))	244,71,53,924	254,88,15,893
Outside India	16,26,32,676	14,27,05,014
Total	260,97,86,600	269,15,20,907
b) The Company has common fixed assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets / additions to fixed assets cannot be furnished.		

12. LEASES

As Lessee

Operating Lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The total of Minimum Future Lease Payments under non-cancelable operating leases for various periods are as follows:-

	Current Year	Previous Year
a) Within 1 Year	2,46,85,074	2,13,52,856
b) Later than 1 year but not later than 5 years	4,30,46,573	3,64,02,759
c) Later than 5 years	-	2,20,000
Total	6,77,31,647	5,79,75,615

Total lease payments recognized in the statement of Profit & Loss Account amounts to Rs.2,91,75,518 (Previous Year Rs.2,79,36,947).

As Lessor

Operating Lease receipts are recognized as an income in the Profit & Loss Account on a straight-line basis over the lease term.

The total of Minimum Future Lease Payments under non-cancelable operating leases for various periods are as follows:-

	Current Year	Previous Year
a) Receivable within 1 Year	1,55,65,550	56,000
b) Later than 1 year but not later than 5 years	4,95,26,750	-
c) Later than 5 years	6,79,22,400	-
Total	13,30,14,700	56,000

Total lease rent received recognized in the statement of Profit & Loss Account amounts to Rs.84,000 (Previous Year Rs.84,000).

13. Cost of production includes cost of production of samples during the year.

14. a) The Company's interest in 50% Joint Venture Company namely Panheber Biotec Private Limited is as follows:

Particulars	Current Year	Previous Year
Fixed Assets (Gross Block)	2,69,025	-
Current Assets	2,70,93,618	46,91,958
Current Liabilities	2,30,99,573	95,494
Revenue	44,79,396	3,87,010
Expenses	2,66,13,360	2,02,111

b) Following heads of Expenses are stated net of recoveries made during the year (Previous Year Nil) from the Joint Venture Company:

Wages and Salaries Rs. 1,82,12,194; Power & Fuel and Electricity Rs. 68,20,500; Repair & Maintenance - Plant & Machinery Rs. 25,09,372; Repair & Maintenance - Others Rs. 94,07,512.

15. Additional information as required under Para 3 & 4 of Part II of Schedule VI of the Companies Act, 1956.

A. Particulars of Licensed Capacity, Installed Capacity & Production

a) Licensed Capacity per annum

Recombinant Bulk Vaccine - 510 Lac Doses
Others - Not Applicable

b) Installed Capacity per annum *

Products	Units of Measure	Current year	Previous Year
Tablets	Nos./ Lac	5,860	5,500
Capsules	Nos. / Lac	900	900
Syrups/Liquids	Bottles / Lac	38	38
Gels	Tubes / Lac	72	42
Vaccines Formulation	Doses / Lac	7,200	7,200
Recombinant Bulk Vaccine **	Doses / Lac	125	-

* As certified by the management

** The same has been leased to Joint Venture Company.



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

c) Actual Production during the year

Products	Units of Measure	Current year*	Previous Year*
Tablets	Nos.	30,21,50,916	33,55,49,777
Capsules	Nos.	3,88,42,369	2,48,97,950
Syrups/Liquids	ml.	24,39,58,970	23,36,71,100
Gels	Gms.	4,45,49,740	3,21,69,460
Vaccines Formulation	Vials	2,25,64,335	2,27,23,854
Husk	Packs	72,782	-
Others	Nos.	47,500	-

* Actual Production includes production at Loan Licensee locations.

B. Particulars of Stocks & Sales

Units	Opening Stock		Closing Stock		Samples/Destroyed/ Expired/Shortages		Sales		
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	
a) Own Manufacturing									
Tablets	Nos.	11,59,90,047	9,23,15,840	8,55,22,273	11,59,90,047	1,46,29,869	1,53,47,043	31,79,88,821	29,65,28,527
	In Rs.	14,46,90,543	8,43,72,210	10,23,64,554	14,46,90,543	-	-	73,62,59,584	69,91,93,104
Capsules	Nos.	1,06,93,976	30,59,350	1,50,84,154	1,06,93,976	41,85,298	4,49,950	3,02,66,893	1,68,13,374
	In Rs.	2,13,25,335	1,19,61,490	4,80,00,604	2,13,25,335	-	-	20,91,47,636	6,25,37,372
Syrups/ Liquids	ml.	7,47,61,540	8,92,34,240	6,51,53,280	7,47,61,540	1,66,00,460	2,12,01,170	23,69,66,770	22,69,42,630
	In Rs.	1,65,52,422	2,20,16,996	1,27,40,594	1,65,52,422	-	-	9,67,06,275	9,51,27,045
Gels	Gms.	97,48,580	1,15,06,110	1,43,11,460	97,48,580	41,67,460	52,48,490	3,58,19,400	2,86,78,500
	In Rs.	59,23,592	71,18,359	1,06,42,527	59,23,592	-	-	3,75,33,926	2,84,25,943
Vaccines	Vials	4,59,248	3,61,746	58,23,431	4,59,248	92,969	12,477	1,71,07,183	2,26,13,875
	In Rs.	2,76,74,727	3,98,90,489	33,01,83,139	2,76,74,727	-	-	149,96,40,414	169,88,47,836
Husk	Packs	-	-	52,491	-	2,189	-	18,102	-
	In Rs.	-	-	15,65,899	-	-	-	6,21,350	-
Others	Nos.	-	-	28,465	-	3,098	-	15,937	-
	In Rs.	-	-	45,73,509	-	-	-	35,28,002	-
Total	In Rs.	21,61,66,619	16,53,59,544	51,00,70,826	21,61,66,619	-	-	258,34,37,187	258,41,31,300
b) Trading Activities									
Tablets	Nos.	73,50,520	22,84,184	13,04,176	73,50,520	14,49,384	9,94,414	55,77,500	53,70,790
	In Rs.	50,83,679	17,13,668	9,03,550	50,83,679	-	-	1,85,24,601	1,83,96,567
Capsules	Nos.	81,92,863	99,51,984	88,280	81,92,863	(3,76,622)	20,60,071	1,46,54,055	1,94,09,510
	In Rs.	3,21,04,925	3,17,36,518	2,17,087	3,21,04,925	-	-	10,44,97,246	22,16,37,138
Syrups/ Liquids	ml.	98,34,800	-	1,24,77,400	98,34,800	23,72,000	6,32,400	35,95,400	63,78,400
	In Rs.	20,62,593	-	26,77,192	20,62,593	-	-	17,68,593	21,09,617
Injections	Nos.	2,88,954	61,671	1,53,770	2,88,954	39,151	31,142	1,23,173	1,55,515
	In Rs.	90,40,451	24,26,244	42,46,544	90,40,451	-	-	67,89,796	94,33,893
Others	In Rs.	-	-	-	-	-	-	-	28,66,525
Total	In Rs.	4,82,91,648	3,58,76,430	80,44,373	4,82,91,648	-	-	13,15,80,236	25,44,43,740
Grand Total	In Rs.	26,44,58,267	20,12,35,974	51,81,15,199	26,44,58,267	-	-	271,50,17,423	283,85,75,040

C. Purchase of Finished goods

Products	Units of Measure	Current Year	Previous Year
Tablets	Nos.	9,80,540	1,14,31,540
	In Rs.	12,69,032	80,10,878
Capsules	Nos.	61,72,850	1,97,10,460
	In Rs.	2,27,03,827	9,28,30,578
Syrups / Liquids	ml.	86,10,000	1,68,45,600
	In Rs.	18,69,679	35,17,361
Injections	Nos.	27,140	4,13,940
	In Rs.	15,06,118	1,31,43,096
Total	In Rs.	2,73,48,656	11,75,01,913



SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	Current Year		Previous Year	
Products	Qty. (In doses)	Value	Qty. (In doses)	Value
Polio Virus	41,40,38,176	103,96,19,113	35,23,83,410	91,09,15,057
Others		46,64,07,988		45,08,58,452
Total		150,60,27,101		136,17,73,509
E. Value of Imports on CIF basis				
Particulars		Current Year	Previous Year	
Raw Materials & Packing Materials		110,76,76,161	163,71,52,950	
Capital Goods Machinery & Spares		2,07,40,994	1,26,86,093	
Finished Goods		-	78,72,512	
F. Expenditure in Foreign Currency				
Particulars				
Patents, Trade Marks & Product registration			1,51,67,616	1,63,44,953
Interest			3,27,80,239	98,43,052
Professional & Consultation fees (net of tax)			2,64,56,542	45,40,017
Other Expenses			2,39,87,911	1,70,14,212
G. Remittance on accounts of Dividend in Foreign Currency				
Particulars				
Number of Non-Resident Shareholders			2	2
Number of Equity Shares held by them			57,41,000	57,41,000
Amount (Rs.)			57,41,000	33,29,780
Dividend relates to			2002-03	2001-02
H. Earnings in Foreign Exchange				
F.O.B. value of Exports (including deemed exports of Rs.147,31,46,334 (Previous Year Rs.138,07,32,333))			161,55,33,359	150,48,76,781
R & D Technology Services			64,43,381	1,15,11,254
I. Value of Imported/Indigenous Raw Materials & Packing Materials consumed				
Particulars	Current Year		Previous Year	
	Amount in Rs.	% age	Amount in Rs.	% age
Indigenous	28,13,17,868	18.68	23,71,59,727	17.42
Imported	122,47,09,233	81.32	112,46,13,782	82.58
Total	150,60,27,101	100.00	136,17,73,509	100.00
J. Value of Imported/Indigenous Stores & Spares consumed				
	Amount in Rs.	% age	Amount in Rs.	% age
Indigenous	1,83,37,396	100.00	1,84,64,525	100.00

16. Unlike previous year, product registration expenses have been charged to Profit & Loss Account as required by Accounting Standard -26 issued by the Institute of Chartered Accountants of India. As a result profit for the year is lower by Rs.29,22,053.
17. Out of the fresh issue of Preference Share Capital of Rs.90,43,49,140, Rs.8,00,00,000 is lying in Fixed Deposits.
18. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our report of even date attached

S.R. Batliboi & Co.
Chartered Accountants
Per

SOSHIL KUMAR JAIN
Chairman

For and on behalf of the Board

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA
Partner
Membership No. 83906
Place : New Delhi
Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

1. Registration Details

Registration No.	22350	State Code	16
Balance Sheet Date	31/03/2004		

2. Capital Raised during the year (Amount in Rs. Thousand)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	9,04,349

3. Position of mobilization and deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	38,29,395	Total Assets	38,29,395
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Source of Funds

Paid up Capital	10,14,983	Reserves & Surplus	10,38,978
Secured Loans	14,22,047	Unsecured Loans	2,78,604

Application of Funds

Net Fixed Assets	10,54,536	Investments	39,103
Net Current Assets	27,16,473	Misc. Expenditure (to the extent not W/off)	19,283

Accumulated Losses Nil

4. Performance of Company (Amount in Rs. Thousand)

Turnover	26,09,787	Total Expenditure	24,18,076
Profit/Loss Before Tax	<input checked="" type="checkbox"/> + <input type="checkbox"/> - 2,17,327	Profit/Loss after Tax	<input checked="" type="checkbox"/> + <input type="checkbox"/> - 1,64,484
Earnings per share (Rs.)	2.72	Dividend @	100%

5. Generic Name of Three Principal Products/ Services of Company

Item Code No. (ITC Code)	3002 20 14
Product Description	VACCINE-POLIO
Item Code No. (ITC Code)	3004 90 67
Product Description	NIMESULIDE TAB
Item Code No. (ITC Code)	3004 20 99
Product Description	GLICLAZIDE TAB

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary

Place : New Delhi
Dated : 30th June, 2004



CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET FOR THE YEAR ENDED 31st MARCH, 2004

	Current Year	Previous Year
(Amount in Rs.)		
A. Cash flow from operating activities		
Net operating profit before tax	21,73,27,205	33,63,05,875
Adjustments for:		
Depreciation	11,86,83,747	9,63,19,640
Interest Expenses	12,34,17,606	12,92,88,988
Provision for Doubtful Debts & Advances	1,12,83,682	1,47,00,000
Interest Income	(33,57,043)	(46,51,443)
Dividend Received	(58,625)	(46,900)
Income from sale of Investments	(4,48,466)	-
Loss on winding up of Subsidiary	13,85,640	-
Exchange gain on winding up of Subsidiary	(20,40,000)	-
Loss on sale of Fixed Assets	13,94,946	2,28,616
Increase in Deferred Revenue expenditure	-	(59,93,212)
Deferred Revenue Expenditure written off during the year	48,23,416	49,40,439
Operating profit before working capital changes	25,50,84,903	23,47,86,128
(Increase) / Decrease in Trade and Other Receivables	(31,61,68,737)	7,85,13,708
Increase in Inventories	(21,90,13,618)	(71,55,60,282)
Increase / (Decrease) in Trade Payables	(12,45,02,718)	5,31,226
Cash generated from operations	(18,72,72,963)	(6,54,23,345)
Net Direct Taxes paid	(13,78,68,340)	(11,63,65,978)
Net cash from operating activities	(32,51,41,303)	(18,17,89,323)
B. Cash flow from investing activities		
Purchase of Fixed Assets	(22,00,02,732)	(16,70,60,751)
Sale of Investments	6,36,475	-
Proceeds from winding up of Subsidiary	1,40,10,360	(8,340)
Sale of Fixed Assets	84,16,999	9,38,134
Interest Received	33,57,043	46,51,443
Dividend Received	58,625	46,900
Net cash used in investing activities	(19,35,23,230)	(16,14,32,614)
Net cash from operating and investing activities	(51,86,64,533)	(34,32,21,937)
C. Cash flow from financing activities		
Repayment of Preference Share Capital	-	(95,00,000)
Issue of Preference Share Capital	90,43,49,140	-
Net increase in Working Capital Borrowings	27,71,56,464	17,10,74,957
Net increase in Long Term Borrowings	10,47,65,690	6,16,21,415
Interest paid	(12,62,69,338)	(12,57,39,625)
Dividend & Tax on Dividend paid	(7,04,68,918)	(5,60,75,771)
Net Cash from financing activities	108,95,33,038	4,13,80,976
Net cash from operating, investing & financing activities	57,08,68,505	(30,18,40,961)
Net increase/ (decrease) in Cash & Cash equivalent	57,08,68,505	(30,18,40,961)
Opening balance of Cash & Cash equivalent	6,41,13,669	36,59,54,630
Closing balance of Cash & Cash equivalent	63,49,82,174	6,41,13,669

As per our report of even date attached

S.R. Batliboi & Co.
Chartered Accountants
Per

MANOJ GUPTA
Partner
Membership No. 83906
Place : New Delhi
Dated : 30th June, 2004

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



STATEMENT U/S 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1. Name of the Company	Radicura & Co. Ltd.	Best On Health Ltd.
2. Date from which they became subsidiary companies	16 th July, 1999	15 th March, 2000
3. Financial Year of the subsidiary ended on	31 st March, 2004	31 st March, 2004
4. Shares of the subsidiary held by Panacea Biotec Ltd. on the above dates		
i) Number & face value	1,98,250 face value Rs.10/-	1,90,216 face value Rs.10/-
ii) Extent of holding	100%	100%
5. Net aggregate Profit & Loss for the current year	19,312	14,04,073
6. Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is dealt with in the accounts of holding company :		
a) for the financial year of the subsidiary	Nil	Nil
b) for the previous financial years of the subsidiary since it became its subsidiary.	Nil	Nil
7. Net aggregate amounts of the profits or losses of the subsidiary so far as it concerns the members of the holding company and is not dealt with in the accounts of holding company :		
a) for the financial year of the subsidiary	19,312	14,04,073
b) for the previous financial years of the subsidiary since it became its subsidiary.	20,98,408	(16,430)

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary

Place : New Delhi
Dated : 30th June, 2004



AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report to the Board of Directors of Panacea Biotec Limited

On the consolidated financial statements of Panacea Biotec Limited, its Subsidiaries and Joint Venture

We have audited the attached Consolidated Balance Sheet of Panacea Biotec Limited, its Subsidiaries and Joint Venture, as at 31st March, 2004, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Panacea Biotec Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the Subsidiaries and Joint Venture, whose financial statements reflect:

- a) In case of Subsidiaries and Joint Venture, total assets of Rs.6,34,35,012 as at 31st March 2004 and revenues of Rs.4,50,37,838 and cash flows amounting to Rs.66,03,967 for the year ended on 31st March 2004.

- b) Subsidiaries and Joint Venture have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amount included in respect of these Subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Panacea Biotec Limited, its Subsidiaries and Joint Venture as at 31st March 2004;
- b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Chartered Accountants
Per

MANOJ GUPTA

Partner

Membership No.: 83906

Place : New Delhi
Dated : 30th June, 2004



CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2004

(Amount in Rs.)

	Schedule		As at 31st March, 2004	As at 31st March, 2003
SOURCES OF FUNDS				
1. Shareholders' Funds				
Share Capital	I	101,49,83,306	11,06,34,166	
Reserves & Surplus	II	103,30,03,594	204,79,86,900	94,55,97,822
				105,62,31,988
2. Loan Funds				
Secured Loans	III	142,20,47,200	118,18,25,101	
Unsecured Loans	IV	27,86,03,606	170,06,50,806	13,69,03,551
				131,87,28,652
3. Deferred Tax Liability (Net)				
Total			7,51,36,285	6,08,92,186
			382,37,73,991	243,58,52,826
APPLICATION OF FUNDS				
1. Fixed Assets				
Gross Block	V	143,88,63,781	86,47,88,578	
Less : Depreciation		44,94,62,608	33,52,28,665	
Net Block		98,94,01,173	52,95,59,913	
Capital Work-in-Progress (including Pre-operative expenditure) (Refer note No. B4 of Schedule XVII)		8,81,10,311	107,75,11,484	45,44,97,772
				98,40,57,685
2. Investments				
	VI		7,56,190	9,44,200
3. Deferred Tax Assets (Net)				
(including share of Joint Venture Rs.128,153 (Previous Year Nil))			1,28,153	-
4. Current Assets, Loans & Advances				
Current Assets				
Inventories		179,19,23,492	154,77,86,544	
Sundry Debtors		47,43,05,775	17,42,22,966	
Cash & Bank Balances		64,15,86,141	8,86,40,851	
Other Current Assets		84,52,893	1,21,73,030	
Loans and Advances		18,35,96,652	11,60,19,650	
Sub-total (A)		309,98,64,953	193,88,43,041	
Less : Current Liabilities & Provisions				
Current Liabilities	VIII	26,94,68,615	39,39,40,860	
Provisions		10,43,19,846	11,81,83,252	
Sub-total (B)		37,37,88,461	51,21,24,112	
Net Current Assets (A)-(B)			272,60,76,492	142,67,18,929
5. Miscellaneous Expenditure				
(To the extent not written off or adjusted)	IX		1,93,01,672	2,41,32,012
Total			382,37,73,991	243,58,52,826

Significant Accounting Policies and Notes to Accounts XVII

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date

S.R. Batliboi & Co.

Chartered Accountants

Per

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA

Partner

Membership No. 83906

Place : New Delhi

Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

(Amount in Rs.)

	Schedule	For the year ended 31st March, 2004	286,35,82,384	For the year ended 31st March, 2003
INCOME				
Sales (Net of discounts)		273,22,19,309		
Less : Excise Duty		10,52,30,823	262,69,88,486	271,65,28,251
Other Income	X	2,64,58,664	14,70,54,133	3,06,97,429
Total Income		265,34,47,150		274,72,25,680
EXPENDITURE				
Cost of Production	XI	140,27,21,760		140,93,57,884
Purchases of Finished Goods		4,17,42,765		13,88,28,622
Personnel Expenses	XII	25,23,58,084		23,73,69,502
Administrative Expenses	XIII	27,36,22,033		21,04,33,633
Interest & Finance Charges	XIV	8,79,26,712		11,77,81,141
Selling Expenses	XV	15,14,23,273		11,73,59,146
Research & Development Expenses	XVI	11,98,96,201		9,48,29,178
Miscellaneous Expenditure written off during the year (including share of Joint Venture Rs.2,980 (Previous Year Rs.2,980))		48,30,340		49,47,363
Depreciation (including share of Joint Venture Rs.35,626 (Previous Year Nil))		10,43,94,694		8,23,33,558
Total Expenditure		243,89,15,862		241,32,40,027
Profit Before Tax		21,45,31,288		33,39,85,653
Provision for Income Tax (including Share of Joint Venture Rs. Nil (Previous Year Rs.1,49,000))		5,41,98,108		13,58,66,000
Provision for Income Tax for earlier years (including Share of Joint Venture Rs.1,979 (Previous Year Rs.928))		(1,48,28,390)		96,429
Deferred Income Tax (Refer Note No. B-9 of Schedule XVII) (including share of Joint Venture Rs.1,28,153 (Previous Year Nil))		1,41,15,946		(1,29,76,982)
Profit After Tax		16,10,45,624		21,10,00,206
Add: Balance brought forward from previous year (including share of Joint Venture Rs.4,16,675 (Previous Year Rs.3,82,104))		18,50,01,068		14,20,22,608
Debenture Redemption Reserve written back		1,33,33,333		1,33,33,333
Profit available for Appropriations		35,93,80,025		36,63,56,147
APPROPRIATIONS				
Dividend - Equity Shares		5,70,76,600		5,70,76,600
- Preference Shares		81,99,722		66,23,253
Dividend Distribution Tax		83,63,530		81,55,226
Transfer to Capital Redemption Reserve		-		95,00,000
Transfer to General Reserve		10,00,00,000		10,00,00,000
Balance carried to Balance Sheet		18,57,40,173		18,50,01,068
Earning per Share - Basic		2.66		3.57
Earning per Share - Diluted		2.66		3.57
Face value per Share		1.00		1.00

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date

S.R. Batliboi & Co.

Chartered Accountants

Per

SOSHIL KUMAR JAIN
Chairman

For and on behalf of the Board

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA

Partner

Membership No. 83906

Place : New Delhi

Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE I - SHARE CAPITAL		
AUTHORISED		
Comprising of		
i) 12,50,00,000 Equity Shares of Re.1/- each (Previous Year 12,50,00,000 Equity Shares of Re.1/- each)	12,50,00,000	12,50,00,000
ii) 11,00,00,000 (Previous Year 1,00,00,000) Preference Shares of Rs.10/- each	110,00,00,000	10,00,00,000
	122,50,00,000	22,50,00,000
ISSUED, SUBSCRIBED & PAID UP		
5,70,76,600 Equity Shares of Re.1/- each * (Previous Year 5,70,76,600 Equity Shares of Re.1/- each)	5,70,76,600	5,70,76,600
Add: Forfeited Shares (Out of the above shares, 1,81,42,400 Equity Shares of Re.1/- each were issued as fully paid up bonus shares by capitalisation of General Reserves in earlier years.)	92,566	92,566
*Excluding 1,49,000 Equity Shares of Re.1/- each forfeited on 15th May, 1999		
Redeemable Cumulative Preference Shares (RCPS) of Rs.10/- each		
Series - II		
53,46,500 (Previous Year 53,46,500) 12% Preference Shares	5,34,65,000	5,34,65,000
Series - III		
9,04,34,914 (Previous Year Nil) 4.5% Preference Shares	90,43,49,140	-
	101,49,83,306	5,34,65,000 11,06,34,166

Notes:
RCPS Series - II : Redeemable at par at the end of five years from the date of allotment, with put option with the Company after the expiry of one year from the date of allotment. As per the terms of issue, the redemption dates are as under:

Redemption Date	Amount in Rs.
16 th July, 2004	2,55,56,200
30 th July, 2004	46,01,600
19 th Feb., 2005	2,33,07,200

RCPS Series - III : Redeemable at par at the end of tenth year from the date of allotment, with an option with the company to extend such redemption date which will not exceed 20 years from the date of allotment i.e. 16th March, 2004.

SCHEDULE II - RESERVES AND SURPLUS

1. CAPITAL REDEMPTION RESERVE			
Amount as per last Balance Sheet	5,90,35,000	4,95,35,000	
Add : Transfer from Profit & Loss Account	-	95,00,000	5,90,35,000
2. DEBENTURE REDEMPTION RESERVE			
Amount as per last Balance Sheet	2,66,66,667	4,00,00,000	
Less : Transferred to Profit & Loss Account	(1,33,33,333)	(1,33,33,333)	2,66,66,667
3. SHARE PREMIUM			
Amount as per last Balance Sheet	16,90,61,690	16,90,61,690	
4. GENERAL RESERVE			
Amount as per last Balance Sheet	50,58,33,397	40,58,33,397	
Add : Transfer from Profit & Loss Account	10,00,00,000	10,00,00,000	50,58,33,397
5. BALANCE IN PROFIT & LOSS ACCOUNT			
(including share of Joint Venture Rs.1,72,826 (Previous Year Rs.4,16,672))	18,57,40,173	18,50,01,068	
	103,30,03,594	94,55,97,822	



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE III - SECURED LOANS		
1. DEBENTURES		
4,00,000 16% Non-Convertible Debentures of face value of Rs.100/- each redeemable at par in three equal annual installments starting from 15th Feb. 2003 (Second installment of Rs.1,33,33,333 has been paid on 15.02.04)	1,33,33,334	2,66,66,667
2. RUPEE TERM LOANS		
i) Industrial Development Bank of India (Repayable within one year Rs. Nil (Previous Year Rs.49,95,000))	-	49,95,000
ii) Export-Import Bank of India Long Term Working Capital Loan (Repayable within one year Rs.2,58,40,346 (Previous Year Rs.2,81,25,000))	8,43,75,000	11,25,00,000
Production Equipment Finance Loan (Repayable within one year Rs.1,72,26,956 (Previous Year Rs.1,87,50,000))	5,62,50,000	7,50,00,000
iii) State Bank of Bikaner & Jaipur (Repayable within one year Rs.1,25,00,000 (Previous Year Rs.1,25,00,000))	4,37,50,075	5,00,00,000
iv) Short Term Loan from IDBI Bank Limited	-	10,00,00,000
3. FOREIGN CURRENCY LOANS		
i) Bank of Baroda (Repayable within one year Rs.1,84,16,645 (Previous Year Rs.2,00,18,550))	3,68,33,290	6,00,58,808
ii) Bank of Bahrain & Kuwait B.S.C. (Repayable within one year Rs.2,05,05,469 (Previous Year Rs. Nil))	8,88,57,031	-
iii) Term loan from Industrial Development Bank of India (Repayable within one year Rs.1,73,72,250 (Previous Year Rs. Nil))	6,88,98,375	-
4. WORKING CAPITAL LOANS FROM SCHEDULED BANKS	102,97,50,095	75,26,04,626
	142,20,47,200	118,18,25,101

Notes :

1. Debentures are secured by way of first charge on land situated at Village Budasan, District Mehsana, Gujarat besides first charge on the Land admeasuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties of the Company pertaining to Lalru Unit on pari-passu basis with term lending institutions and charge on the whole of the movable properties, both present and future, subject to the prior charges created and/or to be created in favour of Company's Bankers for Working Capital Loans.
2. Term loans from Export-Import Bank of India are secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company, both present and future, besides first parri-pasu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future.
3. Term Loan from State Bank of Bikaner & Jaipur is secured by way of first pari-passu charge by hypothecation of entire movable fixed assets of the Company besides first pari-passu charge over all the immovable properties of the company admeasuring 96 bighas, 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE III - SECURED LOANS (Contd...)

4. Foreign Currency Loan from Bank of Baroda is secured by way of first pari-passu charge over the Company's all movable machineries including spare parts, both present and future, besides first pari-passu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future.
5. Foreign Currency Loan from Bank of Bahrain & Kuwait B.S.C. is secured by way of first pari-passu charge by hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-passu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit, both present and future.
6. Foreign Currency Loan from Industrial Development Bank of India is secured by way of first pari-passu charge by way of hypothecation of the company's entire movables fixed assets, both present and future, besides first pari-pasu charge on Land admesuring 96 bighas 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and other immovable properties pertaining to Lalru unit both present and future.
7. Working Capital Loans from Scheduled Banks are secured by hypothecation of present & future stocks of raw materials, stocks-in process, finished goods, consumable stores & spares, bills receivable, book debts, outstanding monies, receivable claims, trust receipts, and all other movables of the Company besides second pari-passu charge on the plant & machinery at all the divisions and immovable properties of the Company admeasuring 96 bighas, 19 biswas situated at Village Samalheri, Tehsil Rajpura, District Patiala and equitable mortgage by deposit of title deeds in respect of Company's immovable property being land measuring 31 Bighas 8 Kilas situated at Mauza Jarot, Tehsil Rajpura together with all buildings, superstructures, plant & machinery constructed or to be constructed, installed or to be installed, present and future and accretions on the land except in case of Indian Overseas Bank, Syndicate Bank and Union Bank of India where creation of second pari-passu charge on fixed assets is pending.
8. The above loans are also collaterally secured by personal guarantees of the Promoter Directors of the Company.

SCHEDULE IV - UNSECURED LOANS

	As at 31st March, 2004	(Amount in Rs.) As at 31st March, 2003
Fixed Deposits (including Rs.11,83,50,000 from Directors, their relatives & Associates) (Repayable within one year Rs.5,67,00,000 (Previous Year Rs.1,30,50,000))	11,98,80,000	7,53,70,000
Mizuho Corporate Bank Ltd. (Repayable within one year Rs.3,50,00,000 (Previous Year Rs.3,50,00,000))	3,50,00,000	3,50,00,000
State Bank of Indore (Repayable within one year Rs.5,00,10,995 (Previous Year Rs. Nil))	5,00,10,995	-
State Bank of Mysore (Repayable within one year Rs.5,00,00,000 (Previous Year Rs. Nil))	5,00,00,000	-
Deposits from C&F Agents	2,37,12,611	2,65,33,551
	27,86,03,606	13,69,03,551



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2003	Additions during the year	Sale during the year	As at 31st March, 2004	As at 1st April, 2003	Provided during the year	Deductions & Adjustments during year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
Tangible Assets :										
Land - Freehold	3,56,68,175	-	-	3,56,68,175	-	-	-	-	3,56,68,175	3,56,68,175
Land - Leasehold	63,70,863	-	-	63,70,863	1,20,355	74,080	-	1,94,435	61,76,428	62,50,508
Buildings	18,83,60,888	10,08,66,025	76,00,000	28,16,26,913	5,48,07,304	1,30,76,881	6,63,637	6,72,20,548	21,44,06,365	13,35,53,584
Leasehold Improvement	3,56,78,542	2,40,94,424	-	5,97,72,966	1,66,49,986	1,33,80,049	-	3,00,30,035	2,97,42,931	1,90,28,556
Plant & Machinery	30,80,47,565	40,89,12,574	-	71,69,60,139	12,43,56,717	4,82,44,281	-	17,26,00,998	54,43,59,141	18,36,90,848
Furniture & Fittings	4,85,88,066	1,67,71,586	-	6,53,59,652	1,54,08,994	71,95,958	-	2,26,04,952	4,27,54,700	3,31,79,072
Vehicles	6,35,42,898	1,10,58,502	1,13,52,476	6,32,48,924	3,56,97,548	81,70,889	84,76,894	3,53,91,543	2,78,57,381	2,78,45,350
Office Equipments	5,12,98,074	1,51,81,174	-	6,64,79,248	1,22,64,836	68,08,645	-	1,90,73,481	4,74,05,767	3,90,33,238
Computer Equipments	4,95,91,505	78,86,625	-	5,74,78,130	3,10,50,083	92,04,050	-	4,02,54,133	1,72,23,997	1,85,41,422
Intangible Assets										
Goodwill	1,95,64,354	-	-	1,95,64,354	1,29,45,100	39,12,220	-	1,68,57,320	27,07,034	66,19,254
Patents, Trademarks & Copyrights	3,84,87,580	10,68,279	-	3,95,55,859	2,42,45,794	51,90,901	-	2,94,36,695	1,01,19,164	1,42,41,786
Softwares	1,03,87,373	71,88,490	-	1,75,75,863	30,80,600	35,15,173	-	65,95,773	1,09,80,090	73,06,773
Website	92,02,695	-	-	92,02,695	46,01,348	46,01,347	-	92,02,695	-	46,01,347
TOTAL	86,47,88,578	59,30,27,679	1,89,52,476	143,88,63,781	33,52,28,665	12,33,74,474	91,40,531	44,94,62,608	98,94,01,173	52,95,59,913
Previous Year	68,20,95,675	18,65,49,501	38,56,598	86,47,88,578	23,68,98,203	10,10,20,310	26,89,848	33,52,28,665	52,95,59,913	44,51,97,472
Capital Work in Progress									8,81,10,311	45,44,97,772

Notes

1. Freehold Land includes Perpetual leasehold land amounting to Rs.50,65,000 (Previous Year Rs.50,65,000) pending registration in the name of the Company.
2. Building includes building amounting to Rs.99,91,919 (Net Block) (Previous Year Rs.1,29,14,568) pending registration in the name of the Company.
3. Plant & Machinery includes Plant & Machinery amounting to Rs.95,86,926 (Net Block) (Previous Year Rs.58,08,754) lying with third party.
4. Depreciation for the year includes Depreciation on Research & Development Assets amounting to Rs.1,89,79,780 (Previous Year Rs.1,86,86,752).
5. Fixed Assets includes share of Joint Venture Rs.2,33,398 (Net Block) (Previous Year Nil).



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE VI - INVESTMENTS		
LONG TERM INVESTMENTS (at cost)		
Quoted *		
a) 36,455 Equity Shares (Previous year 46,900) of Rs.10/- each fully paid of IDBI Bank Ltd. Market Value Rs.18,06,345 (Previous year Rs.10,57,595)	6,56,190	8,44,200
b) 10,000 Equity Shares of Rs.10/- each fully paid of Medicamen Biotec Ltd.** Market Value Rs.84,200 (Previous year Rs.61,000)	1,00,000	1,00,000
	7,56,190	9,44,200
* Non Trade Investments		
** Trade Investments		



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE VII - CURRENT ASSETS, LOANS & ADVANCES		
A. CURRENT ASSETS		
Inventories		
i) Raw & Packing Materials (including lying with third parties Rs.3,20,33,009 (Previous Year Rs.43,32,754))	121,08,65,288	123,84,51,935
ii) Finished Goods (including share of Joint Venture Rs.2,11,38,472 (Previous Year Rs. Nil))	54,11,22,639	26,71,45,870
iii) Stock in Process	1,19,36,237	2,43,99,561
iv) Stores & Spares (including share of Joint Venture Rs.50,44,809 (Previous Year Rs.2,41,317))	2,79,99,328	1,77,89,178
	179,19,23,492	154,77,86,544
Sundry Debtors (Unsecured, considered good, unless otherwise stated)		
Over six months (including Rs.1,36,85,343 considered doubtful of recovery (Previous Year Rs.2,00,81,544))	3,93,63,896	3,86,62,400
Less: Provision for Bad & Doubtful Debts	(1,36,85,343)	(2,00,81,544)
	2,56,78,553	1,85,80,856
Other Debts	44,86,27,222	15,56,42,110
	47,43,05,775	17,42,22,966
Cash and Bank Balances		
i) Cash in hand (including share of Joint Venture Rs.20 (Previous Year Rs.70))	15,44,601	13,24,342
ii) Balances with Scheduled Banks :		
a) In Cash Credit Accounts	17,30,446	3,60,701
b) In Current Accounts (including share of Joint Venture Rs.2,28,001 (Previous Year Rs.8,42,711))	2,28,08,017	1,43,75,398
c) In Collection Accounts	1,39,41,920	1,99,50,978
d) In Unpaid Dividend Accounts	65,11,618	31,27,160
e) In Fixed Deposits* (including share of Joint Venture Rs. Nil (Previous Year Rs.32,06,233))	8,98,86,930	1,61,58,307
f) In Exchange Earner Foreign Currency Current Account	50,51,14,999	1,77,71,821
iii) Balances with Non-scheduled Banks		
a) Bank of Foreign Trade - Moscow (maximum amount outstanding at any time during the year Rs. 6,84,360 (Previous Year Rs.12,71,488))	5,909	6,84,360
b) Societe Generale Yugoslav Bank (maximum amount outstanding at any time during the year Rs.8,66,400 (Previous Year Rs.9,84,515))	41,701	8,25,379
c) Lloyds TSB Bank, Isle of Man	-	-
	64,15,86,141	1,40,62,405
Other Current Assets		
DEPB & other Export Benefits receivable	84,52,893	1,21,73,030
B. LOANS & ADVANCES		
(Unsecured, considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received (including share of Joint Venture Rs.21,225 (Previous Year Rs.4,01,628))	7,34,14,257	9,27,64,406
Staff Loans & Advances (including Rs.21,55,468 (Previous Year Rs.11,55,468) considered doubtful, which has been fully provided)	80,62,660	90,10,675
Less: Provision for Bad & Doubtful Advances	21,55,468	11,55,468
	59,07,192	78,55,207
Security Deposits	1,77,65,840	1,54,00,037
Advance Income Tax (net of tax provision)	8,65,09,363	-
(including share of Joint Venture Rs.22,818 (Previous Year Rs. Nil))	18,35,96,652	11,60,19,650
	309,98,64,953	193,88,43,041

* Fixed Deposits amounting to Rs.79,83,655 (Previous Year Rs.1,24,68,618) are pledged with Banks and various Government Authorities.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE VIII - CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
i) Acceptances	90,67,069	1,03,78,333
ii) Creditors for Goods, Services & Expenses		
a) Small Scale Industries	7,204	35,560
b) Other Creditors (including share of Joint Venture Rs.2,30,54,129 (Previous Year Rs.8,289))	23,68,60,990	36,49,27,442
iii) Advances from Customers	10,33,395	10,93,707
iv) Unclaimed Dividend *		
Equity Shares	9,96,236	7,93,186
Preference Shares	52,46,587	21,00,305
v) Other Liabilities (including share of Joint Venture Rs.45,444 (Previous Year Rs.17,270))	1,41,12,234	82,40,880
vi) Book Overdraft	3,63,928	17,38,742
vii) Interest accrued but not due on loans	17,80,972	46,32,705
	26,94,68,615	39,39,40,860
B. PROVISIONS		
i) Provision for Wealth Tax	2,20,000	2,02,860
ii) Provision for Income Tax (Net of Advance Tax) (including share of Joint Venture Rs. Nil (Previous Year Rs.69,955))	28,966	1,21,76,005
iii) Dividend on Equity Shares	5,70,76,600	5,70,76,600
iv) Dividend on Preference Shares	64,15,800	65,73,937
v) Provision for Dividend Tax	81,34,965	81,55,226
vi) Provision for Gratuity/Leave Encashment	3,24,43,515	3,39,98,624
	10,43,19,846	11,81,83,252
	37,37,88,461	51,21,24,112
* This amount does not include the amount due/ outstanding to be credited to Investor Education and Protection Fund.		
SCHEDULE IX - MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
i) Product Registration Expenses		
As per last Balance Sheet	1,03,59,925	93,28,471
Add : Additions during the year	-	44,93,212
	1,03,59,925	1,38,21,683
Less: Written off during the year	31,41,016	34,61,758
	72,18,909	1,03,59,925
ii) License Fees		
As per last Balance Sheet	1,37,46,319	1,37,25,000
Add : Additions during the year	-	15,00,000
	1,37,46,319	1,52,25,000
Less: Written off during the year	16,82,400	14,78,681
	1,20,63,919	1,37,46,319
iii) Preliminary Expenses		
As per last Balance Sheet (including share of Joint Venture Rs.17,880 (Previous Year Rs.20,860))	25,768	32,692
Less : Written off during the year (including share of Joint Venture Rs.2,980 (Previous Year Rs.2,980))	6,924	6,924
	18,844	25,768
	1,93,01,672	2,41,32,012



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
SCHEDULE X - OTHER INCOME		
Interest Received on Fixed Deposits & Others (Gross) (including share of Joint Venture Rs.1,11,306 (Previous Year Rs.3,76,502)) (Tax deducted at source Rs.2,37,877 (Previous Year Rs.9,55,755))	40,53,422	55,07,945
Export Incentives	1,40,69,630	1,12,63,392
Dividend on Investments (Gross)	58,625	46,900
Miscellaneous Balances/ Provisions written back	10,99,245	-
Income from R&D Services	64,43,381	1,15,11,254
Sale of Scrap	17,570	38,494
Miscellaneous Receipts (including share of Joint Venture Rs. Nil (Previous Year Rs.10,508))	2,68,325	23,29,444
Profit on sale of investment	4,48,466	
	2,64,58,664	3,06,97,429
SCHEDULE XI - COST OF PRODUCTION		
(Increase)/ Decrease in Stocks		
Closing Stock		
Finished Goods (including share of Joint Venture Rs.2,11,38,472 (Previous Year Rs. Nil))	54,11,22,639	26,71,45,870
Stock in Process	1,19,36,237	2,43,99,561
Less :Opening Stock		
Finished Goods	26,71,45,870	20,51,42,117
Stock in Process	2,43,99,561	79,00,329
	29,15,45,431	21,30,42,446
	(26,15,13,445)	(7,85,02,985)
Raw Materials & Packing Materials consumed		
Opening Stock	123,84,51,936	60,31,53,409
Add: Materials purchased during the Year	148,38,15,917	200,89,99,730
	272,22,67,853	261,21,53,139
Less: Sale during the year	59,34,860	1,19,27,694
Less: Closing Stock	121,08,65,288	123,84,51,936
	150,54,67,705	136,17,73,509
Less: Materials consumed for Research & Development	1,28,67,109	22,51,088
Total Materials consumed	149,26,00,596	135,95,22,421
Processing Charges	2,14,74,066	7,04,976
Analytical Testing & Trial Charges (including share of Joint Venture Rs.21,200 (Previous Year Rs.Nil))	31,83,080	24,74,824
Stores & Spares consumed (indigenous only) (including share of Joint Venture Rs.18,87,485 (Previous Year Rs.36,627))	1,34,27,787	1,43,03,901
Ancillary Expenses (including share of Joint Venture Rs.1,15,88,100 (Previous Year Rs. Nil))	1,15,88,100	-
Power & Fuel	3,01,24,847	4,90,66,496
Wages (including share of Joint Venture Rs.77,77,852 (Previous Year Rs. Nil))	5,72,49,928	3,33,02,097
Repair & Maintenance (including share of Joint Venture Rs.4,23,233 (Previous Year Rs. Nil))		
Factory Building	1,05,67,385	58,76,453
Plant & Machinery	57,50,382	62,88,546
Rent Factory	1,82,69,034	1,63,21,155
	140,27,21,760	140,93,57,884
SCHEDULE XII - PERSONNEL EXPENSES		
Salary & Wages (including share of Joint Venture Rs.2,01,856 (Previous year Rs.82,638))	21,86,05,400	20,54,00,548
Contribution to Provident and Other Funds	1,30,76,691	1,12,18,111
Bonus & Ex-gratia	71,56,356	82,99,046
Staff Welfare Expenses (including share of Joint Venture Rs.6,30,182 (Previous Year Rs.4,500))	1,35,19,637	1,24,51,797
	25,23,58,084	23,73,69,502



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
SCHEDULE XIII - ADMINISTRATIVE EXPENSES		
Rent (including share of Joint Venture Rs.42,000 (Previous year Rs Nil))	12,78,736	29,67,140
Directors' Remuneration	2,21,72,790	2,02,97,762
Directors' Sitting Fees	3,95,000	3,65,000
Printing & Stationery (including share of Joint Venture Rs.62,826 (Previous Year Rs.10,209))	1,14,10,517	98,22,844
Postage & Communication Expenses (including share of Joint Venture Rs.475 (Previous Year Rs. Nil))	2,37,25,739	1,90,06,057
Insurance	1,53,75,713	1,34,64,303
Travelling & Conveyance Expenses (including share of Joint Venture Rs.24,733 (Previous Year Rs.4,668))	4,06,60,921	3,22,66,773
Books & Periodicals	4,29,969	4,08,799
Legal & Professional Charges (including share of Joint Venture Rs.46,929 (Previous Year Rs.2,500))	6,52,16,448	2,90,16,596
Vehicle Running & Maintenance	70,62,733	62,13,011
Repair & Maintenance		
Non-factory Buildings	48,48,385	67,59,176
Others	1,70,97,652	1,79,61,714
Auditors' Remuneration		
Statutory Audit Fees (including share of Joint Venture Rs.7,875 (Previous Year Rs.7,875))	25,85,280	15,27,875
Certification etc.	5,52,751	6,85,675
Out of Pocket expenses	80,125	1,01,675
Rates, Fees & Taxes (including share of Joint Venture Rs.7,767 (Previous Year Rs.2,125))	1,06,02,509	71,82,499
Donation	28,72,100	6,20,100
Subscription	18,44,408	54,99,428
Electricity & Water Charges	87,85,537	57,71,674
Staff Training & Recruitment (including share of Joint Venture Rs.11,333 (Previous Year Rs.1,870))	1,11,94,819	42,68,764
Sundry Expenses (including share of Joint Venture Rs.18,810 (Previous Year Rs.1,674))	1,10,52,212	1,12,98,152
Provision for Doubtful Debts	1,02,83,682	1,40,00,000
Provision for Doubtful Advances	10,00,000	7,00,000
Loss on Sale of Fixed Assets	13,94,946	2,28,616
Loss on winding up of Subsidiary	16,99,061	-
	<u>27,36,22,033</u>	<u>21,04,33,633</u>
SCHEDULE XIV - FINANCIAL EXPENSES		
Interest on:		
a) Debentures/Other Fixed Loans	7,20,86,457	3,11,27,962
b) Others	5,12,22,656	9,81,31,437
Exchange Fluctuation Loss / (Gain) - net	(5,12,85,841)	(2,44,89,285)
Bank Charges (including share of Joint Venture Rs.20,273 (Previous Year Rs.2,846))	1,59,03,440	1,30,11,027
	<u>8,79,26,712</u>	<u>11,77,81,141</u>
SCHEDULE XV - SELLING EXPENSES		
Advertising	1,61,09,568	40,04,603
Meetings & Conferences	1,77,33,492	1,10,61,736
Sales Promotion	1,10,08,877	98,62,098
Freight & Cartage (including share of Joint Venture Rs.5,934 (Previous Year Rs.Nil))	1,86,81,107	1,89,22,508
Commission on Sales	93,23,236	85,28,379
Rent for Cold Storage & Depots	59,58,669	61,78,894
Marketing Expenses	7,26,08,324	5,88,00,928
	<u>15,14,23,273</u>	<u>11,73,59,146</u>



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
SCHEDULE XVI - RESEARCH AND DEVELOPMENT EXPENSES		
Raw Materials & Packing Materials consumed	1,28,67,109	22,51,088
Stores & Spares consumed (Indigenous only)	67,97,094	41,60,624
Processing Charges	-	3,68,450
Salary, Wages & Bonus	3,46,26,901	2,90,02,126
Contribution to Provident & Other Funds	12,63,243	12,04,084
Staff Welfare Expenses	33,03,641	24,94,834
Analytical Testing & Trial Charges	1,83,09,744	1,33,40,391
Rent	12,56,440	1,20,680
Directors' Remuneration	1,83,333	22,00,000
Printing & Stationary	4,52,510	4,43,152
Postage & Communication	6,69,032	5,50,410
Insurance	3,70,683	5,88,888
Travelling Expenses	51,87,366	42,64,805
Books & Periodicals	2,16,609	3,20,817
Legal & Professional Expenses	35,48,715	76,71,928
Vehicle Running & Maintenance	11,98,018	13,42,736
Repair & Maintenance		
Buildings	13,66,728	14,01,774
Plant & Machinery	6,91,039	2,50,758
Others	8,28,765	9,73,521
	28,86,532	26,26,053
Rates, Fees & Taxes	3,36,550	64,871
Donation	60,000	10,28,200
Subscription	21,88,479	3,49,469
Electricity & Water Charges	4,85,798	3,48,011
Meetings & Conferences	30,18,165	5,78,749
Staff Training & Recruitment	12,55,894	3,04,412
Bank Charges	(3,29,481)	1,03,229
Depreciation	1,89,79,780	1,86,86,752
Sundry Expenses	7,64,046	4,14,419
	11,98,96,201	9,48,29,178

SCHEDULE XVII - Significant Accounting Policies & Notes on Accounts (Consolidated Financial Statements)

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Consolidation

The consolidated financial statements of Panacea Biotech Limited and its subsidiaries and joint venture have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of income from certain export licenses which in view of uncertainty involved, is accounted for on cash basis.

2. Uses of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

3. Revenue Recognition

Sales are recognised at the time of constructive delivery of goods and are stated net of trade discounts, returns and sales tax but include excise duty.

Income from Research & Development Services is accounted for as per the stage of completion.

4. Export Benefits

Export benefits under Duty Exemption Pass Book Scheme and Advance Licenses are accounted for in the year of export of goods except in case of certain licenses which are accounted for on cash basis in view of uncertainty involved as mentioned in Para 1 above.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

5. Fixed Assets

Fixed assets are stated at historical cost of acquisition or construction and include all other incidental expenses related to acquisition and any attributable cost of bringing the asset to its working condition for its intended use.

6. Expenditure during Construction Period

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

7. Intangibles

Acquired Intangibles are stated at the cost of acquisition. In case of internally generated intangibles, they are stated at directly attributable cost.

8. Goodwill / Capital Reserve

Goodwill / Capital Reserve represents the cost to the parent of its investment in a subsidiary over / under the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiary is made.

Goodwill arising on consolidation in accordance with Accounting Standard 21 on "Consolidation of Financial Statements" is amortised over a period of five years from the date of acquisition of subsidiaries.

9. Depreciation

a) Depreciation on fixed assets is provided (except in case of software & website, patents, trademarks, copyrights, leasehold improvements & goodwill) on written down value method as per the rates and manner prescribed in Schedule XIV to the Companies Act, 1956.

b) Depreciation on intangibles is provided as follows: -

Software	- Depreciated on Straight Line basis over a period of 5 years.
Websites	- Depreciated on Straight Line basis over a Period of 2 Years.
Patent/Trade Mark & Copyrights	- Depreciated on Straight Line basis over a period of 7 years.
Goodwill	- Depreciated on Straight Line basis over a period of 5 years.

c) Leasehold Improvements are amortized over the initial period of lease.

10. Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of an asset are capitalized as part of the cost of that asset. Borrowing costs, which are not relatable to fixed assets, are recognized as an expense in the period in which they are incurred.

11. Deferred Revenue Expenditure

a) Expenditure incurred prior to April 1, 2003 for registration and for obtaining regulatory approvals for products for overseas markets and product acquisition were categorized as Miscellaneous Expenditure. Such deferred revenue expenditure are amortized over a period of five years beginning from the year of product registration. Expenditure of the similar nature incurred during the year are charged off to revenue.

b) Expenditure incurred prior to April 1, 2003 towards procuring license for new products is written off over the period of agreement or ten years whichever is shorter.

12. Investments

Long-term investments are stated at cost. A provision for diminution (if any) is made to recognise a decline, other than temporary, in the value of long-term investments.

13. Inventories

Finished Goods, Stock in process, Goods held for Resale, Raw Materials, Packing Materials and Stores & Spares } At the lower of cost and net realisable value

'Cost' of Raw Materials, Packing materials and Stores & Spares is arrived at by using 'First-in-first out' method.

Cost of stock in process, finished goods is determined by considering direct material cost and appropriate portion of factory and administrative overheads. Cost of traded goods is arrived at by using 'First-in-first out' method.

14. Custom & Excise Duty

Custom Duty on materials lying in bonded warehouses and Excise Duty on manufactured goods lying in the factory premises is accounted for on accrual basis.

15. Research and Development

Revenue expenditure incurred on Research & Development is charged to Profit & Loss Account of the year in which it is incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognized as an asset to the extent that it is expected that such assets will generate future economic benefits.

Capital Expenditure on Research & Development is included in the gross block of fixed assets and depreciation thereon is provided on Written Down Value method as per the rates and the manner prescribed in Schedule XIV to the Companies Act, 1956.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

16. Employee Terminal Benefits

- a) **Provident Fund:** Contribution to defined contribution schemes being Provident Fund is accrued as per the terms of contracts with the employees and provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to Profit and Loss Account.
- b) **Gratuity:** Provision for Gratuity is made on the basis of actuarial valuation made by an independent actuary as of the balance sheet date.
- c) **Leave Encashment:** Provision for leave encashment benefit to the employees as per Company's policy is made on the basis of actuarial valuation made by an independent actuary as of the balance sheet date.

17. Foreign Currency Transactions

- a) Transactions denominated in foreign currencies are continued to be accounted for at the exchange rate prevailing on the date of the transaction.
- b) Investments in foreign companies are translated at the exchange rates prevailing on the dates of making the investments.
- c) Assets and liabilities (except non-monetary assets) related to foreign currency transactions, remaining unsettled at the year-end, are stated at year-end rates. In cases where Forward Exchange Contract covers the foreign currency assets and liabilities, the same are stated at Forward contract rates and resultant exchange difference is spread over the life of the contract.
- d) Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets, in which case they are adjusted to the carrying value of such fixed assets.

18. Income Taxes

- a) Provision is made for current income tax liability, which is likely to arise on the results for the year at the current rate of tax in accordance with the provisions of Income Tax Act, 1961.
- b) Deferred income tax is provided, using the liability method, on all timing differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
- c) Deferred tax assets are recognised only to the extent that there is reasonable certainty of their realisation.
- d) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date.

19. Earning per Share

The basic earning per share ("EPS") is computed by dividing the net profit after tax for the year (net of dividend on Preference Shares) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earning per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

20. Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred, and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

1. List of Subsidiaries & Joint Venture considered for consolidation

S. No.	Name of the Company	Nature of Relationship	Country of Incorporation	Extent of Holding/ Voting Power (%) as on	
				March 31, 2004	March 31, 2003
1.	Tayonics Limited	Subsidiary	U.K.	Nil	100.00
2.	Best On Health Limited	Subsidiary	India	100.00	100.00
3.	Radicura & Co. Limited	Subsidiary	India	100.00	100.00
4.	Panheber Biotec Private Limited	Joint Venture	India	50.00 (Joint Venture)	50.00 (Joint Venture)

During the year the foreign subsidiary viz. Tayonics Limited was wound up on July 04, 2003.

2. Contingent Liabilities

(Amount in Rs.)

S.No.	Particulars	Current Year	Previous Year
i.	Disputed demands/ show-cause notices under sales tax, income tax, customs & excise	66,37,255	1,93,12,428
ii.	Labour cases	23,28,510	17,02,692
iii.	Other claims against the Companies not acknowledged as debt	20,29,000	10,69,000
iv.	Differential Custom Duty for imports under EPCG scheme	36,64,130	33,82,792

3. Estimated amount of contracts remaining to be executed on Capital Account, net of advances and not provided for amount to Rs.2,04,40,500 (Previous Year Rs.1,07,43,216).
4. The Company's vaccine plant at Lalru (Punjab) has started commercial production on January 10, 2004. Accumulated preoperative expenses amounting to Rs.3,56,08,277 have been allocated to fixed assets on an appropriate basis.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

5. (a) Directors' Remuneration

(Amount in Rs.)

Particulars	Current Year	Previous Year
Managing / Joint Managing Directors / Whole-time Directors		
Salary	2,04,94,167	1,89,44,839
Royalty	58,333	7,00,000
Perquisites	28,21,734	38,47,751
Total	2,33,74,234	2,34,92,590
Non-Executive Directors		
Allowances	11,12,000	16,09,000
Sitting Fees	3,95,000	3,65,000
Total	15,07,000	19,74,000
Grand Total	2,48,81,234*	2,54,66,590

*Notes: a) Provision for Leave Encashment and Gratuity amounting to Rs.13,42,042 (Previous Year Rs.4,60,934) and Rs.31,72,923 (Previous Year Rs.14,53,582) respectively made during the year has not been included above.

b) Perquisites amounting to Rs.24,28,182 (Previous Year Rs.29,07,398) have been included under various heads of expenses in the Profit & Loss Account which also includes surrender value of a Keyman Insurance Policy amounting to Rs.4,97,750 has been assigned to one of the Directors.

c) Gratuity and Leave encashment amounting to Rs.2,99,038 (Previous Year Rs.4,32,692) and Rs.3,73,077 (Previous Year Rs.9,13,462) respectively has been paid to a retiring Director.

6. Profit/Loss on sale of Raw Materials & Packing Materials has been adjusted in Raw Material consumption thereof and has not been shown separately.

7. In the opinion of the management, all the current assets, loans & advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.

8. Earnings Per Share

(Amount in Rs.)

S.No.	Particulars	Current Year	Previous Year
a.	Net profit available for Equity Shareholders		
	Net profit after tax	16,10,45,624	21,10,00,206
	Less: Dividend (including dividend tax) on Preference Shareholders	92,50,312	74,65,539
	Net profit after tax available for Equity Shareholders	15,17,95,312	20,35,34,667
b.	Calculation of Weighted Average Number of Equity Shares of Re.1/- each		
	Number of Shares at the beginning of the year	5,70,76,600	5,70,76,600
	Total number of Equity Shares outstanding at the end of the year	5,70,76,600	5,70,76,600
c.	Basic Earnings (in Re.1/-) per Share	2.66	3.57
d.	Diluted Earnings (in Re.1/-) per Share	2.66	3.57

9. Deferred Tax Assets (Net):

a) The break-up of deferred tax liability is as follows:

(Amount in Rs.)

Nature of Timing difference	Deferred Tax Asset/(Liability) as at 01.04.2003	Current year (Charges)/Credit	Deferred Tax Asset/(Liability) as at 31.03.2004
Depreciation	(6,84,79,930)	(1,66,97,031)	(8,51,76,961)
Deferred Revenue Expenses	(86,48,115)	17,30,400	(69,17,715)
Disallowance under Section 43B	1,30,47,418	13,18,330	1,43,65,748
Others	31,88,441	(5,95,798)	25,92,643
Total	(6,08,92,186)	(1,42,44,099)	(7,51,36,285)

b) The break-up of deferred tax assets is as follows:

(Amount in Rs.)

Nature of Timing difference	Deferred Tax Asset/(Liability) as at 01.04.2003	Current year (Charges)/Credit	Deferred Tax Asset/(Liability) as at 31.03.2004
Depreciation	Nil	1,28,153	1,28,153



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

10. Related Party Disclosures

A. List of Related Parties

(a) Key Management Personnel

Shri Soshil Kumar Jain	-	Chairman & Whole-time Director
Shri Ravinder Jain	-	Managing Director
Shri Rajesh Jain	-	Joint Managing Director
Shri Sandeep Jain	-	Joint Managing Director
Shri Ashwani Jain	-	Whole -time Director
Shri Sunil Anand	-	Whole-time Director (Joined on 24 th April 2003)
Dr. Amarjit Singh	-	Whole-time Director (Upto 30 th April, 2003)

(b) List of Persons having controlling interest together with their relatives

Key Management Personnel	Father	Mother	Wife	Brother	Sister	Son	Daughter	Associates
Soshil Kumar Jain			Nirmala Jain	Surinder Kumar Jain	Bimla Devi Jain	Ravinder Jain, Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Soshil Kumar Jain (HUF), Radhika Associates
Ravinder Jain	Soshil Kumar Jain	Nirmala Jain	Sunanda Jain	Rajesh Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Sumit Jain, Nipun Jain	Radhika Jain	Ravinder Jain (HUF), Sumit Nipun & Co.
Rajesh Jain	Soshil Kumar Jain	Nirmala Jain	Meena Jain	Ravinder Jain, Sandeep Jain	Rashmi Jain, Renu Jain	Ankesh Jain, Harshet Jain, Taric Jain		Rajesh Jain (HUF), Rattan Sons
Sandeep Jain	Soshil Kumar Jain	Nirmala Jain	Pamilla Jain	Ravinder Jain, Rajesh Jain	Rashmi Jain, Renu Jain	Tanish Jain	Priyanaka Jain	Sandeep Jain (HUF), Tahir & Co.
Ashwani Jain		Laxmi Jain	Rashmi Jain		Anita Jain			

(c) Relatives of Key Management Personnel having transactions with the Company

Jyoti Singh - wife of Dr. Amarjit Singh

B. Details of Transactions with the Related Parties

(Amount in Rs.)

Particulars	Key Management Personnel	Relatives and Associates of Key Management Personnel	Total
Shares Purchased	-	-	-
	(3,600)	(4,740)	(8,340)
Remuneration	2,33,74,234	24,914	2,33,99,148
	(2,34,92,590)	(3,05,268)	(2,37,97,858)
Interest Expense on Fixed Deposits	62,45,380*	53,14,500	1,15,59,880
	(42,04,294)	(28,43,051)	(70,47,345)
Dividend Paid – Preference Shares	18,41,496	32,11,944	50,53,440
	(-)	(-)	(-)
Dividend Paid - Equity Shares	1,96,80,200	2,45,30,400	4,42,10,600
	(2,02,02,930)	(2,45,49,860)	(4,47,52,790)
Outstanding fixed deposits	5,66,00,000	6,13,50,000	11,79,50,000
	(4,31,00,000)	(3,13,50,000)	(7,44,50,000)

* Includes Rs. 42,42,629 (Previous Year Rs. 28,35,660) paid to the Managing / Joint Manager Directors.

Note: 1. Figures in brackets represent previous year figures (2002-03)

2. In respect of personal guarantee given by Promoter Directors refer Note no. 8 of Schedule III.



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

11. Segment Reporting Policies

a) Identification of Segments

Primary Segment

Business Segment: The Company's operating business are organized and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The identified segments are Vaccines, Formulations and Research & Development activities.

Secondary Segment

Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows:

- Sales within India includes sales to customers located within India.
- Sales outside India include sales to customers located outside India.

b) Allocation of Common Costs: Common allocable costs are allocated to each segment on a rational basis based on nature of each such common cost.

c) Unallocated Items: Corporate income and expense are considered as a part of Unallocable Income & Expense, which are not identifiable to any business segment.

A. INFORMATION ABOUT PRIMARY SEGMENTS

(Amount in Rs.)

Particulars	Formulations		Research & Development		Vaccines		Total	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Revenue								
External sales (net of excise duty)	113,18,06,324	101,76,80,415	-	-	149,51,82,162	169,88,47,836	262,69,88,486	271,65,28,251
Other Income	1,48,98,598	1,87,06,610	64,43,381	1,15,11,254	69,306	(61,47,400)	2,14,11,285	2,40,70,464
Total	114,67,04,922	103,63,87,025	64,43,381	1,15,11,254	149,52,51,468	169,27,00,436	264,83,99,761	274,05,98,715
Segment Results	11,77,16,324	15,13,53,055	(11,34,52,822)	(8,33,17,922)	49,27,13,604	51,47,14,003	49,69,77,106	58,27,49,136
Unallocated Corporate Expenses							(19,95,66,484)	(13,76,09,307)
Operating Profit	11,77,16,324	15,13,53,055	(11,34,52,822)	(8,33,17,922)	49,27,13,604	51,47,14,003	29,74,10,622	44,51,39,829
Interest & Finance charges							(8,79,26,712)	(11,77,81,141)
Other Income							50,47,379	66,26,965
Income Taxes							(5,34,85,665)	(12,29,85,447)
Net Profit							16,10,45,624	21,10,00,206
Other Information								
Segment Assets	91,02,19,026	91,79,19,525	18,76,14,758	17,55,36,004	268,79,24,800	169,13,59,231	378,57,58,584	278,48,14,760
Unallocated Corporate Assets							41,18,03,868	16,31,62,178
Total Assets							419,75,62,452	294,79,76,938
Segment Liabilities	23,67,97,532	10,97,37,432	15,80,197	7,49,012	3,61,90,814	26,12,94,620	27,45,68,543	39,17,81,064
Unallocated Corporate Liabilities							187,50,07,009	151,99,63,886
Total Liabilities							214,95,75,552	189,17,44,950
Capital Expenditure – Additions	9,64,83,769	5,32,41,728	29,32,908	1,59,62,521	37,85,93,582	2,41,93,507		
Non-cash Expenses other than Depreciation	1,12,83,682	1,47,00,000						
Depreciation	3,38,68,081	3,49,07,366	1,89,79,780	1,86,86,752	2,82,89,454	1,23,23,239		



SCHEDULES TO CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

B. INFORMATION ABOUT SECONDARY SEGMENTS

	Current Year	(Amount in Rs.) Previous Year
a) Revenue as per Geographical Markets		
India (including deemed exports Rs.147,31,46,334 (Previous Year Rs.138,07,32,332))	246,43,55,810	257,38,23,237
Outside India	16,26,32,676	14,27,05,014
Total	262,69,88,486	271,65,28,251
b) The Company has common fixed assets for producing goods for Domestic Market and Overseas Market. Hence, separate figures for fixed assets / additions to fixed assets can not be furnished.		

12. LEASES

Operating Lease payments are recognized as an expense in the Profit & Loss Account on a straight-line basis over the lease term. The total of Minimum Future Lease Payments under non-cancelable operating leases for various periods are as follows: -

	Current Year	(Amount in Rs.) Previous Year
a) Within 1 Year	2,18,05,074	1,84,72,856
b) Later than 1 year but not later than 5 years	4,11,26,573	3,16,02,759
c) Later than 5 years	-	2,20,000
Total	6,29,31,647	5,02,95,615

Total lease payments recognized in the statement of Profit & Loss Account amounts to Rs.2,62,95,518 (Previous Year Rs.2,50,56,947).

13. Cost of production includes cost of production of samples during the year.
14. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figure.
15. Unlike previous year, product registration expenses have been charged to Profit & Loss Account as required by Accounting Standard -26 issued by the Institute of Chartered Accountants of India. As a result profit for the year is lower by Rs. 29,22,053.
16. Out of the fresh issue of Preference Share Capital of Rs.90,43,49,140, Rs.8,00,00,000 is lying in Fixed Deposits.

As per our report of even date attached

S.R. Batliboi & Co.
Chartered Accountants
Per

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA
Partner
Membership No. 83906
Place : New Delhi
Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



CASH FLOW STATEMENT ANNEXED TO THE CONSOLIDATED BALANCE SHEET

	Current Year	Previous Year
(Amount in Rs.)		
A. Cash flow from operating activities		
Net operating profit before tax	21,45,31,288	33,39,85,653
Adjustments for:		
Depreciation	12,33,74,474	10,10,20,310
Interest Expenses	12,33,09,113	12,92,59,399
Provision for Doubtful Debts & Advances	1,12,83,682	1,47,00,000
Interest Income	(40,53,422)	(55,07,945)
Dividend Received	(58,625)	(46,900)
Income from sale of Investments	(4,48,466)	
Loss on sale of Fixed Assets	13,94,946	2,28,616
Increase in Deferred Revenue expenditure	-	(59,93,212)
Deferred Revenue Expenditure written off during the year	48,30,340	49,47,363
Operating profit before working capital changes	47,41,63,330	57,25,93,285
(Increase)/ Decrease in Trade and Other Receivables	(28,87,13,994)	7,91,77,512
Increase in Inventories	(24,41,36,949)	(71,45,83,058)
Increase/ (Decrease) in Trade Payables	(12,65,24,951)	12,72,586
Cash generated from operations	(18,52,12,564)	(6,15,39,676)
Net Direct Taxes paid	(13,80,08,980)	(11,79,43,494)
Net cash from operating activities	(32,32,21,544)	(17,94,83,169)
B. Cash flow from investing activities		
Purchase of Fixed Assets	(22,66,40,218)	(16,71,74,103)
Sale of investment	6,36,475	(5,006)
Sale of Fixed Assets	84,16,999	9,38,134
Interest Received	40,53,422	55,07,945
Dividend Received	58,625	46,900
Net cash used in investing activities	(21,34,74,697)	(16,06,86,130)
Net Cash from Operating and Investing activities	(53,66,96,241)	(34,01,69,299)
C. Cash flow from financing activities		
Repayment of Preference Share Capital		(95,00,000)
Issue of Preference Share Capital	90,43,49,140	
Net increase in Working Capital Borrowings	27,71,56,464	17,10,74,956
Net increase in Long Term Borrowings	10,47,65,690	6,16,21,415
Interest paid	(12,61,60,845)	(12,57,10,036)
Dividend & Tax on Dividend paid	(7,04,68,918)	(5,60,75,771)
Net Cash from financing activities	108,96,41,531	4,14,10,564
Net cash from operating, investing & financing activities	55,29,45,290	(29,87,58,735)
Net increase/ (decrease) in Cash & Cash equivalent	55,29,45,290	(29,87,58,735)
Opening balance of Cash & Cash equivalent	8,86,40,851	38,73,99,586
Closing balance of Cash & Cash equivalent	64,15,86,141	8,86,40,851

As per our report of even date attached

S.R. Batliboi & Co.

Chartered Accountants

Per

SOSHIL KUMAR JAIN
Chairman

RAVINDER JAIN
Managing Director

SUNIL ANAND
Director (Finance)

MANOJ GUPTA

Partner

Membership No. 83906

Place : New Delhi

Dated : 30th June, 2004

I.K. SHARMA
D.G.M. (Accounts & Finance)

VINOD GOEL
Company Secretary



RADICURA & CO. LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eleventh Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31st March, 2004. The summarized financial result for the year ended 31st March 2004 as compared with the earlier year as under:

Financial Results

	(Amount in Rs.)	
	For the year ended 31 st March, 2004	For the year ended 31 st March, 2003
Sales	3,67,97,386	6,29,29,419
Other Income	7,75,983	9,55,368
Increase/(Decrease) in Stock	(10,61,233)	(13,44,942)
Depreciation	3,48,221	3,99,036
Profit before Tax	1,52,698	3,17,915
Provision for Income Tax	65,102	1,00,000
Deferred Income Tax	60,664	(62,096)
Profit after Tax	19,312	2,80,011
Balance of profit carried to Balance Sheet	19,312	2,80,011

Review of Operations

The total sales for the year under review was Rs.3,67,97,386 as against Rs.6,29,29,419 during the previous financial year due to inter-alia, increased competition particularly in the pharmaceuticals industry. As a result the net profit for the year under review also declined to Rs.19,312 as against Rs.2,80,011 during the previous financial year.

Dividend

Due to insufficiency of profits, your directors are unable to recommend any dividend for the year ended 31st March 2004.

Fixed Deposits

During the year under review, your Company has not invited or accepted any Deposits from public pursuant to Section 58A of the Companies Act, 1956.

Foreign Exchange Earnings and Outgo

During the period under review, there was neither inflow nor outflow of foreign exchange to/from the Company.

Particulars of Employees

None of the employee of the Company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, particulars as required under the Companies (Particulars of Employees) Rules, 1975 are not given.

Directors

During the financial year, Mr. Sumit Jain has resigned from his office as Whole-time directorship and continues to act as Non-executive director. In accordance

ANNEXURE TO DIRECTORS' REPORT - COMPLIANCE CERTIFICATE

To The members, **RADICURA & CO. LIMITED**, Delhi

We have examined the registers, records, books and papers of RADICURA & CO. LTD (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder, audited annual accounts, Auditors' Report on the annual accounts and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2004. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained registers as stated in "ANNEXURE:A" to this certificate, as per the provisions of the Act and the rules made thereunder and all entries there in have been duly recorded.
2. The Company has duly filed the forms and returns as stated in "ANNEXURE:B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other

with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Shri Sumit Jain, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Directors' Responsibility Statement

The Directors hereby confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities; and
- iv) that the directors had prepared the annual accounts on a going concern basis.

Conservation of Energy and Technology Absorption

The Company has no manufacturing unit, hence the requirement relating to Conservation of Energy and Technology Absorption are not applicable.

Auditors

M/s Deepak Dubey & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Secretarial Compliance Certificate

As required pursuant to the proviso to Section 383A of the Companies Act, 1956, the Company had obtained Secretarial Compliance Certificate from M/s. Rajeev Goel & Associates, Company Secretaries in Practice and the same is annexed herewith as Annexure to the Directors' Report.

Acknowledgements

The Board expresses its sincere gratitude to the shareholders, bankers and clients for their continued support. The Board also wholeheartedly acknowledges with thanks the dedicated efforts of all the staffs and employees of the Company.

For and on behalf of the Board

Delhi
25th June, 2004

SOSHIL KUMAR JAIN
Chairman & Managing Director

authorities within the time prescribed under the Act and the rules made thereunder save as mentioned in the aforesaid "ANNEXURE:B".

3. The Company is a public limited company.
4. The Board of Directors duly met 5 (five) times on 1st May, 2003; 5th June, 2003; 21st July, 2003; 18th October, 2003 & 31st January, 2004 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. The Company did not close its Register of Members as it was not required to do so. There were no debentures in the Company.
6. The annual general meeting for the financial year ended on 31st March, 2003 was held on 30th September, 2003 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to in section 295 of the Act.



RADICURA & CO. LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

9. The Company has not entered into any contract falling under section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. There was no case falling under section 314 of the Act.
12. The Company has not issued any duplicate share certificate during the financial year.
13. i) There was no allotment/ transfer/ transmission of securities during the financial year.
ii) The Company has not declared any dividend during the financial year.
iii) Since the Company has not declared any dividend during the financial year, postage of dividend warrants etc., was not applicable. The Company was not required to transfer any unclaimed/unpaid dividend to Unpaid Dividend Account with the Bank.
iv) The Company was not required to transfer any amount on account of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to the Investor Education and Protection Fund.
v) The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. During the year under review, Mr. Sumit Jain has resigned from his office as Whole-time directorship and continues to act as Non-executive director. There was no appointment of any additional director, alternate director and director to fill casual vacancy during the financial year.
15. The Company has not appointed any managing director, whole time director or manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or any such authority prescribed under various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not redeemed any preference shares or debentures during the financial year.
22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares, as there was no such offering from the Company during the financial year.
23. The Company has not invited or accepted any public deposits including unsecured loans taken falling under section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2004.
25. The Company has complied with applicable provisions of the Act in making loans and investments or giving guarantees or providing securities to other bodies corporate and has made necessary entries in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.

28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecutions initiated against or show cause notice received by the Company during the financial year under the Act.
32. The Company has not received any amount as security from its employees in terms of section 417(1) of the Act.
33. Since the Company has not constituted any provident fund under section 418 of the Act, provisions of section 418 are not applicable.

For Rajeev Goel & Associates
Company Secretaries

RAJEEV K GOEL
LLB, FCS
C P No. : 2571

Place : New Delhi
Date : 25.06.2004

ANNEXURE A - REGISTERS MAINTAINED BY THE COMPANY

S.No.	Particulars	Relevant Section
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Share holding	307
7.	Register of contracts, companies and firms in which Directors are interested	301
8.	Register of Investments or Loan made, Guarantee given or Security provided	372A
9.	Register of Fixed Assets	
10.	Register of Share Transfer	

ANNEXURE-B - Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2004.

FORMS & RETURNS FILLED WITH THE REGISTRAR OF COMPANIES

S. No.	Particulars of Forms/ Returns Filed	Date of Filing	Whether filed within Prescribed Time	Additional Fees Paid
1.	Form 32 filed u/s 303 for resignation of Mr. Sumit Jain from Whole-time directorship and continues to act as Non-executive director.	30.06.2003	No	Yes
2.	Annual Accounts u/s 220 for the year ended ended 31 st March, 2003.	29.10.2003	Yes	No
3.	Compliance Certificate u/s 383A for the year ended 31 st March, 2003.	29.10.2003	Yes	No
4.	Annual Return u/s 159 made upto 30 th September, 2003, being the date of AGM.	14.11.2003	Yes	No



RADICURA & CO. LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF RADICURA & CO. LIMITED.

We have audited the attached Balance Sheet of **Radicura & Co. Limited** as at 31st March 2004 and also the Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditors' Report) Order, 2003 ('CARO'), issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - c) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of the written representations received from the directors as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For M/s. Dubey & CO.
Chartered Accountants
DEEPAK DUBEY
Proprietor
Membership No. 86349

Place : New Delhi
Date : 25.06.2004

Annexure to the Auditor's Report

Referred to in Paragraph 1 of our report of even date:

- i) In respect of Fixed Assets;
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets of the Company, have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
 - c) None of the fixed Assets has been revalued during the year.
- ii) a) As explained to us, the stocks of finished goods have been physically

verified by the management at reasonable intervals.

- b) In our opinion and as per the information and explanations given to us, the procedure of physical verification of stock followed by the management are reasonable and adequate in relation to size of the Company and nature of its business.
- c) In our opinion and on the basis of our examination, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- iii) a) The company has given Loan to one party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.25,00,000/- and the year-end balance of loans given was Nil. The Company has not taken any loan from parties covered under Section 301 of the Companies Act, 1956.
- b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan given, are not prima facie prejudicial to the interest of the Company.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of assets.
- v) a) According to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions with parties with whom transactions exceeding value of Rupees five lakhs have been entered into during the financial year are at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public, within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under the provisions of Section 209 (1) (d) of the Companies Act, 1956 in respect of services carried out by the Company.
- ix) a) As informed to us the company has been regular in depositing Provident Funds and Employees State Insurance dues with the appropriate authorities.
- b) To the best of our knowledge and according to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Custom Duty, Excise duty, outstanding as on 31st March, 2004 for a period of more than six months from the date they become payable.
- x) The Company neither has accumulated losses at the end of the year, nor has incurred cash losses during the current and the immediately preceding financial year.
- xi) The company has not taken any loans from any financial institutions and banks.
- xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
- xiii) The Company has not made any preferential allotment during the year.
- xiv) The Company has not issued any debentures. Accordingly clause (xix) of the Order is not applicable.
- xv) The Company has not raised any money by public issue during the year.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For M/s. Dubey & CO.
Chartered Accountants
DEEPAK DUBEY
Proprietor
Membership No. 86349

Place : New Delhi
Date : 25.06.2004



RADICURA & CO. LIMITED

BALANCE SHEET AS AT 31st MARCH, 2004

(Amount in Rs.)

	Schedule	As at 31st March, 2004	As at 31st March, 2003
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	19,82,500	19,82,500
Reserves & Surplus	II	1,07,51,091	1,07,31,779
		1,27,33,591	1,27,14,279
Deferred Tax Liabilities (Net) (Refer note no. B4 of Schedule XIII)		3,53,451	2,92,787
Total		1,30,87,042	1,30,07,066
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	III	68,75,658	68,75,658
Less: Depreciation		34,58,904	31,10,683
Net Block		34,16,754	37,64,975
Investments	IV	1,00,000	1,00,000
Current Assets, Loans & Advances			
Inventories	V	23,08,795	33,73,178
Sundry Debtors		21,84,950	26,34,130
Cash & Bank Balances		28,29,660	50,33,289
Loans & Advances		49,74,973	49,25,525
Sub-total (A)		1,22,98,378	1,59,66,122
Less: Current Liabilities & Provisions	VI	24,63,286	65,97,721
Current Liabilities		2,64,804	2,26,310
Provisions		27,28,090	68,24,031
Sub-total (B)		95,70,288	91,42,091
Net Current Assets (A) - (B)		1,30,87,042	1,30,07,066
Total		1,30,87,042	1,30,07,066
Significant Accounting Policies and Notes to Accounts	XIII		

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date.

For **M/s. Dubey & Co.**
Chartered Accountants
(DEEPAK DUBEY)
Proprietor
Membership No. 86349
Place : Delhi
Date : 25.06.2004

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman & Managing Director

SUMIT JAIN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

(Amount in Rs.)

	Schedule	Year ended 31st March, 2004	Year ended 31st March, 2003
Income			
Sales		3,67,97,386	6,29,29,419
Other Income	VII	7,75,983	9,55,368
Increase/(Decrease) in stock	VIII	(1,061,233)	(13,44,942)
Total Income		3,65,12,136	6,25,39,845
Expenditure			
Purchases		3,39,92,759	5,93,29,045
Personnel Expenses	IX	14,73,465	17,03,517
Administrative Expenses	X	5,28,691	7,65,358
Financial Expenses	XI	1,215	1,612
Selling Expenses	XII	15,088	23,362
Depreciation		3,48,221	3,99,036
Total Expenditure		3,63,59,438	6,22,21,930
Profit Before Tax		1,52,698	3,17,915
Provision for Income Tax		65,102	1,00,000
Short provision for Income Tax for earlier years		7,619	-
Deferred Income Tax (Refer Note no. B.4 of Schedule XIII)		60,664	(62,096)
Profit after Tax		19,312	2,80,011
Balance of Profit carried to Balance Sheet		19,312	2,80,011
Earning Per Share - Basic		0.10	1.41
Earning Per Share - Diluted		0.10	1.41

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

As per our attached report of even date.

For **M/s. Dubey & Co.**
Chartered Accountants
(DEEPAK DUBEY)
Proprietor
Membership No. 86349
Place : Delhi
Date : 25.06.2004

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman & Managing Director

SUMIT JAIN
Director



RADICURA & CO. LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE I - SHARE CAPITAL

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
Authorised 5,00,000 Equity Shares of Rs. 10/- each (Previous Year 5,00,000 Equity Shares of Rs.10/- each)	<u>50,00,000</u>	<u>50,00,000</u>
Issued, Subscribed & Paid Up 1,98,250 Equity Shares of Rs. 10/- each fully paid-up	<u>19,82,500</u> <u>19,82,500</u>	<u>19,82,500</u> <u>19,82,500</u>

SCHEDULE II - RESERVES AND SURPLUS

Share Premium				
Amount as per last Balance Sheet			73,26,500	73,26,500
Profit & Loss Account				
Opening Balance	34,05,279		32,20,768	
Add: Transfer from Profit & Loss A/c.	19,312		2,80,011	
Add: Income Tax Adjusted for previous year	-		(95,501)	
		<u>34,24,591</u>		<u>34,05,279</u>
		<u>1,07,51,091</u>		<u>1,07,31,779</u>

SCHEDULE III - FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01/04/2003	Addition during the Year	As at 31/03/2004	As at 01/04/2003	Provided during the Year	As at 31/03/2004	As at 31/03/2004	As at 31/03/2003
BUILDING	30,79,000	-	30,79,000	7,36,018	1,17,149	8,53,167	22,25,833	23,42,982
FURNITURE & FIXTURE	3,17,042	-	3,17,042	1,98,351	21,483	2,19,834	97,208	1,18,691
OFFICE EQUIPMENTS	20,93,826	-	20,93,826	12,62,646	1,15,617	13,78,263	7,15,563	8,31,180
REFRIGERATION & COOLER	5,32,295	-	5,32,295	2,96,395	32,814	3,29,209	2,03,086	2,35,900
VEHICLES	8,53,495	-	8,53,495	6,17,273	61,158	6,78,431	1,75,064	2,36,222
TOTAL	68,75,658	-	68,75,658	31,10,683	3,48,221	34,58,904	34,16,754	37,64,975
PREVIOUS YEAR	67,65,558	1,10,100	68,75,658	27,11,647	3,99,036	31,10,683	37,64,975	40,53,911

SCHEDULE IV - INVESTMENTS

Quoted (at cost) 10,000 Equity Shares of Rs. 10/- each (Previous Year 10,000 Equity Shares) fully paid of MEDICAMEN BIOTEC LTD. Market Value Rs. 84,200/- (Previous year Rs.61,000/-)	<u>1,00,000</u>	<u>1,00,000</u>
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SCHEDULE V - CURRENT ASSETS, LOANS & ADVANCES

A. CURRENT ASSETS

Inventories

(As taken, valued and certified by the Management)
(Valued at cost or market price whichever is lower)

Finished Goods

Stock-in-Transit

23,08,795

33,70,028

3,150

23,08,795

33,73,178

Sundry Debtors

(Unsecured but considered Good)

Debts outstanding for a period exceeding six months

Other Debts

6,35,700

5,99,400

15,49,250

21,84,950

20,34,730

26,34,130

Cash & Bank Balances

i) Cash in hand

ii) Balance with Scheduled Banks - in Current Accounts

99,217

58,960

27,30,443

49,74,329

28,29,660

50,33,289

B. LOANS & ADVANCES

(Unsecured but considered good)

Security Deposit

Advance Income Tax (net of tax provision)

Staff Advances

Prepaid Expenses

Other Receivables

40,49,500

40,49,500

65,149

3,71,976

17,900

9,300

55,832

63,590

7,86,592

4,31,159

49,74,973

49,25,525

1,22,98,378

1,59,66,122



RADICURA & CO. LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

	As at 31st March, 2004 (Rs.)	As at 31st March, 2003 (Rs.)
SCHEDULE VI - CURRENT LIABILITIES & PROVISIONS		
A. CURRENT LIABILITIES		
Total outstanding dues of SSI undertakings	-	-
Total outstanding of Creditors other than SSI undertaking	23,24,436	63,87,351
Expenses Payable	1,37,770	1,41,511
Other Liabilities	1,080	68,859
B. PROVISIONS		
Provision for Gratuity/Leave Encashment	2,64,804	2,26,310
	27,28,090	68,24,031
	Year ended 31st March, 2004 (Rs.)	Year ended 31st March, 2003 (Rs.)
SCHEDULE VII - OTHER INCOME		
Commission received on Sales	1,87,490	3,51,779
Interest received on Security Deposit	5,88,493	5,09,589
Misc. Income/ provisions written back	-	94,000
	7,75,983	9,55,368
SCHEDULE VIII - INCREASE/(DECREASE) IN STOCK		
Closing Stock	23,08,795	33,70,028
Less : Opening Stock	33,70,028	47,14,970
	(10,61,233)	(13,44,942)
SCHEDULE IX - PERSONNEL EXPENSES		
Salary & Wages	11,75,492	12,88,573
Contribution to Provident and other funds	1,17,385	1,28,756
Directors' Remuneration	7,500	90,000
Bonus	83,961	80,098
Staff Welfare Expenses	89,127	1,16,090
	14,73,465	17,03,517
SCHEDULE X - ADMINISTRATIVE EXPENSES		
Printing & Stationery	40,447	45,500
Electricity & Water Charges	25,112	72,098
Repair & Maintenance	47,561	81,322
Insurance	49,319	68,637
Professional Charges	3,150	5,500
Legal Charges	24,261	1,11,550
Auditors' Remuneration		
Audit Fees	11,880	11,000
Tax Audit Fees & other services	9,720	9,000
Office Expenses	9,151	7,964
Postage, Telephone & Telex	68,876	62,753
Conveyance	71,997	1,05,244
Sundry Expenses	39,446	37,222
Vehicle Maintenance	1,27,771	1,47,567
	5,28,691	7,65,358
SCHEDULE XI - FINANCIAL EXPENSES		
Bank Charges	1,215	1,612
	1,215	1,612
SCHEDULE XII - SELLING EXPENSES		
Packing & Forwarding	15,061	20,885
Freight & Cartage	27	2,477
	15,088	23,362



RADICURA & CO. LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE XIII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Method of Accounting

- a) The accompanying financial statements have been prepared in accordance with the historical cost conventions and in accordance with Generally Accepted Accounting Practices in India and confirms to the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956, as amended up to date.
- b) Accounting policies not specifically referred to, are otherwise consistent and in accordance with generally accepted accounting principles.

2. Fixed Assets

Fixed assets are stated at historical cost of acquisition or construction and include all other incidental expenses related to acquisition.

3. Depreciation

Depreciation on all items of fixed assets is provided on Written Down Value method as per rates prescribed in Schedule XIV to the Companies Act, 1956.

4. Inventories

Inventory purchased by the company is carried at lower of cost or market value.

5. Revenue Recognition

Sales are stated at net of trade discounts, sales returns and sales tax.

6. Employee Terminal Benefits

- a) **Provident Fund & ESI:** Company's contribution to defined contribution schemes such as Provident Fund and ESI are accrued as per terms of contracts with the employees and provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952 and is charged to Profit and Loss Account.
- b) **Gratuity:** Provision for Gratuity has been made on the basis of actuarial valuation made by the independent actuary as of the balance sheet date.
- c) **Leave Encashment:** The provision for the leave encashment benefit to the employees as per Company policy has been made on the basis of actuarial valuation made by independent actuary.

7. Investments

Long term Investments are stated at cost price.

8. Income Taxes

- a) Provision is made for income tax liability, which is likely to arise on the results for the year at the current rate of tax in accordance with the provisions of Income Tax Act, 1961.
- b) Deferred Income Tax is provided, using the liability method, on all timing differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.
- c) Deferred tax assets are recognized only, to the extent that there is reasonable certainty of their realization.
- d) Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or subsequently enacted at the balance sheet date.

9. Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

1. Contingent Liabilities are not provided for in respect of:

	Current Year	Amount in (Rs.) Previous Year
i) Claims against the Company not acknowledged as debts (Income tax demand under appeal for Assessment Year 2001-02)	40,635	-
ii) Other money for which the Company is contingently liable	-	-
iii) Estimated amount of contracts remaining to be executed on Capital account and not provided for	-	-

2. In the opinion of the Management, all the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

3. Earnings Per Share

S. No.	Particulars	Current Year	Previous Year
a)	Net Profit after tax available for Equity Shareholders	19,312	2,80,011
b)	Calculation of Weighted Average Number of Equity Shares of Rs.10/- each		
	Number of shares at the beginning of the year	1,98,250	1,98,250
	Total no. of weighted average equity shares outstanding at the end of the year	1,98,250	1,98,250
c)	Basic Earnings per Share	0.10	1.41
d)	Diluted Earnings per Share	0.10	1.41

4. Deferred Tax Assets

Particulars	Deferred tax Asset / (Liability) as at 01.04.2003	Current year credit/ (Charge)	Deferred tax Asset/ (Liability) as at 31.03.2004
Assets	(4,39,946)	(8,504)	(4,48,450)
Gratuity	1,07,116	(44,395)	62,721
Leave Encashment	40,043	(7,765)	32,278
	(2,92,787)	(60,664)	(3,53,451)



RADICURA & CO. LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

5. Related Party Disclosure

Related parties with whom there were transactions during the year are listed below :

- i) Holding Company – The Company is a wholly-owned subsidiary of Panacea Biotec Ltd.
 ii) During the year, the company had the following transactions with its Holding Company – Panacea Biotec Ltd.(PBL) at normal commercial terms in the ordinary course of business. The transactions during the year were as under: -

Particulars	Current Year	Previous Year
Net Purchases made during the year	1,95,54,490	3,78,34,062
Net Sales made during the year	41,010	88,013
Interest received	1,08,493	29,589
Balance due to PBL as at the end of the year	9,07,470	30,91,716

6. a) Directors' Remuneration

Particulars	Current Year	Previous Year
Salary	7,500	90,000

b) Computation of net profit in accordance with Section 349 of the Companies Act, 1956.

Profit as per Profit & Loss Account (before taxes)	1,52,697	3,17,915
Add:		
Depreciation	3,48,221	3,99,036
Directors' Remuneration	7,500	90,000
	<u>5,08,418</u>	<u>8,06,951</u>
Less :		
Depreciation under section 350	3,57,941	4,56,376
Net Profit in accordance with section 349 of Companies Act, 1956	<u>1,50,477</u>	<u>3,50,575</u>
Maximum amount permissible under Sec. 198/309 of Companies Act, 1956	15,048	35,058*

* Since the profits of the company during the year were inadequate, the salaries were paid to Director as minimum remuneration as per Schedule XIII to the Companies Act, 1956.

7. Remuneration to Auditors

Audit Fees	11,880	11,000
Tax Audit & other fees	9,720	9,000
	<u>21,600</u>	<u>20,000</u>

8. Additional information as required under Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956. (As certified by the Management).

- A. Particulars of Licensed Capacity, Installed Capacity & Production
 - Not applicable as the company is a trading company.
- B. Particulars of purchase, Stocks & Turnover
 - As the Company has been trading in goods and the list of goods is very large, quantitative break up of purchases, stocks and turnover has not been given.
- C. Particulars of Raw Materials consumed
 - Not Applicable
- D. Value of Imports on CIF basis Nil
- E. Expenditure in Foreign Currency Nil
- F. Earnings in Foreign Currency Nil
- G. Value of Imported / Indigenous Raw Materials Consumed Nil

9. Previous year's figures have been rearranged and reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date.

For **M/s. Dubey & Co.**

Chartered Accountants

(DEEPAK DUBEY)

Proprietor

Membership No. 86349

Place : Delhi

Date : 25.06.2004

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman & Managing Director

SUMIT JAIN
Director



RADICURA & CO. LIMITED

BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information as required under Part IV of Schedule VI to the Companies Act 1956

i) Registration Details:

Registration No.	56682	State code	55
Balance Sheet Date	31/03/2004		

ii) Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

iii) Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	13,087	Total Assets	13,087
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Source of Funds (Amount in Rs. Thousands)

Paid-up Capital	1,982	Reserves & Surplus	10,751
Secured Loan	Nil	Unsecured Loan	Nil

Application of Funds (Amount in Rs. Thousands)

Net Fixed Assets	3,417	Investments	100
Net Current Assets	9,570	Misc. Expenditure	Nil
Accumulated Losses	Nil	(To the extent not W/ off)	

iv) Performance of Company (Amount in Rs. Thousands)

Turnover	36,797	Total expenditure	36,359
Profit before Tax	153	Profit after Tax	19
Earning per Share in Rs.	0.10	Dividend @ %	Nil

v) Generic Name of three Principal Products / Services of Company

Item Code No. (ITC Code)	3004 90 67, 3002 20 14 & 3004 20 99
Product Description	Nimesulide Tablets, Polio Vaccines & Gliclazide Tab

For **M/s. Dubey & Co.**

Chartered Accountants

(DEEPAK DUBEY)

Proprietor

Membership No. 86349

Place : Delhi

Date : 25.06.2004

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman & Managing Director

SUMIT JAIN
Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH, 2004

Cash flow from operating activities	Current Year		Previous Year
Net operating profit before tax	1,52,698		3,17,915
Adjustments for:			
Depreciation	3,48,221	3,99,036	
Interest Expenses	-	-	
Interest Income	(5,88,493)	(5,09,589)	
Miscellaneous provisions written back	-	(94,000)	(2,04,553)
Operating profit before working capital changes	(2,40,272)		1,13,362
	(87,575)		
Trade and Other Receivables	92,905	(1,18,897)	
Inventories	10,64,383	14,25,292	
Trade & other Payables	(40,95,941)	16,01,963	29,08,358
Cash generated from operations	(30,26,228)		30,21,720
Net direct taxes paid	(2,34,106)		(10,95,155)
Net cash from operating activities	(27,92,122)		19,26,565
Cash flow from investing activities			
Purchase of Fixed assets	-	(1,10,100)	
Interest received	5,88,493	509,589	
Miscellaneous provisions written back	-	94,000	
Net cash used in investing activities	5,88,493		4,93,489
Net cash from operating and investing activities	(22,03,629)		24,20,055
Cash flow from financing activities			
Increase/ (decrease) in loans	-	-	
Issue of Share Capital	-	-	
Share Premium received	-	-	
Net Cash from financing activities	-		-
Net cash from operating, investing & financing activities	(22,03,629)		24,20,055
Net increase/ (decrease) in Cash & Cash equivalent	(22,03,629)		24,20,055
Opening balance of Cash & Cash equivalent	50,33,289		26,13,234
Closing balance of Cash & Cash equivalent	28,29,660		50,33,289

As per our report of even date attached

For **M/s. Dubey & Co.**

Chartered Accountants

(DEEPAK DUBEY)

Proprietor

Membership No. 86349

Place : Delhi

Date : 25.06.2004

For and on behalf of the Board

SOSHIL KUMAR JAIN
Chairman & Managing Director

SUMIT JAIN
Director



BEST ON HEALTH LIMITED DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Ninth Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31st March, 2004. The summarized financial result for the year ended 31st March 2004 as compared with the earlier year as under:

Financial Results		(in Rs.)
Particulars	For the year ended 31st March, 2004	For the year ended 31st March, 2003
Total Income	29,85,073	29,05,029
Total Expenditure	9,45,500	20,84,479
Profit before Tax	20,39,573	8,20,550
Provision for Income Tax	6,33,006	6,17,000
Short provision for Income tax for earlier year(s)	2,494	-
Profit after Tax	14,04,073	2,03,550
Balance of profit carried to Balance Sheet	14,04,073	2,03,550

Review of Operations

During the year under review, the Company has earned rental income of Rs.28.80 Lacs from lease of its premises to its holding Company. The steps are being taken for commencement of business of marketing & export of nutraceuticals & Dietary Supplement products.

Your Directors are pleased to inform you that the net profit for the year under review registered a growth of more than 6 times and stood at Rs.14.04 Lac as against Rs.2.04 Lac during the previous financial year.

Dividend

Your Directors feel it prudent to plough back the profits for future growth of the Company and decline to recommend any dividend for the year ended 31st March 2004.

Fixed Deposits

During the year under review, your Company has not invited or accepted any Deposits from public pursuant to Section 58A of the Companies Act, 1956.

Foreign Exchange Earnings and Outgo

During the period under review, there was neither inflow nor outflow of foreign exchange to/from the Company.

Particulars of Employees

The Company does not have any employee who was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, particulars as required under the Companies (Particulars of Employees) Rules, 1975 are not given.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles

of Association of the Company, Shri Sumit Jain, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Directors' Responsibility Statement

The Directors hereby confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities; and
- that the directors had prepared the annual accounts on a going concern basis.

Conservation of Energy and Technology Absorption

The Company has no manufacturing unit, hence the requirements relating to Conservation of Energy and Technology Absorption are not applicable.

Auditors

M/s. Sudhir Sunil & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

Secretarial Compliance Certificate

As required pursuant to the proviso to Section 383A of the Companies Act, 1956, the Company had obtained Secretarial Compliance Certificate from M/s. Rajeev Goel & Associates, Company Secretaries in Practice and the same is annexed herewith as Annexure to the Directors' Report.

Acknowledgements

The Board expresses its sincere gratitude to the shareholders, bankers and clients for their continued support.

For and on behalf of the Board

New Delhi
22nd day of June, 2004

RAJESH JAIN
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT - COMPLIANCE CERTIFICATE

The Members, BEST ON HEALTH LIMITED, New Delhi

We have examined the registers, records, books and papers of BEST ON HEALTH LTD. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder, audited annual accounts, Auditors' Report on the annual accounts and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2004. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

- The Company has kept and maintained registers as stated in "ANNEXURE:A" to this certificate, as per the provisions of the Act and the rules made thereunder and all entries there in have been duly recorded.
- The Company has duly filed the forms and returns as stated in "ANNEXURE:B" to this certificate, with the Registrar of Companies,

Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder save as mentioned in the aforesaid "ANNEXURE:B".

- The Company is a public limited company.
- The Board of Directors duly met 4 (four) times on 7th June, 2003; 30th August, 2003; 4th December, 2003 & 20th January, 2004 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
- The Company did not close its Register of Members, as it was not required to do so. There were no debentures in the Company.
- The annual general meeting for the financial year ended on 31st March, 2003 was held on 30th September, 2003 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- No extra ordinary general meeting was held during the financial year.



BEST ON HEALTH LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to in section 295 of the Act.
9. The Company has not entered into any contract falling under section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. There was no case falling under section 314 of the Act.
12. The Company has not issued any duplicate share certificate during the financial year.
13. i) There was no allotment / transfer / transmission of securities during the financial year.
ii) The Company has not declared any dividend during the financial year.
iii) Since the Company has not declared any dividend during the financial year, postage of dividend warrants etc., was not applicable. The Company was not required to transfer any unclaimed/unpaid dividend to Unpaid Dividend Account with the Bank.
iv) The Company was not required to transfer any amount on account of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to the Investor Education and Protection Fund.
v) The Company has duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of any additional director, alternate director and director to fill casual vacancy during the financial year.
15. The Company has not appointed any managing director, whole time director or manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or any such authority prescribed under various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not redeemed any preference shares or debentures during the financial year.
22. The Company was not required to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares, as there was no such offering from the Company during the financial year.
23. The Company has not invited or accepted any public deposits including unsecured loans taken falling under section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st March, 2004.
25. The Company has not made any loans and investments or given guarantees or provided securities to other bodies corporate during the financial year under review.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Authorised Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under review.
31. There was no prosecution initiated against or show cause notice received by the Company during the financial year under the Act.
32. The Company has not received any amount as security from its employees in terms of section 417(1) of the Act.
33. Since the Company has not constituted any provident fund under section 418 of the Act, provisions of section 418 are not applicable.

For Rajeev Goel & Associates
Company Secretaries

RAJEEV K. GOEL
LLB, FCS
C P No. : 2571

Place : Delhi
Date : 22.06.2004

ANNEXURE A - REGISTERS MAINTAINED BY THE COMPANY

S.No.	Particulars	Relevant Section
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Shareholding	307
7.	Register of contracts, companies and firms in which Directors are interested	301
8.	Register of investments or loan made, guarantee given or security provided	372A
9.	Register of Fixed Assets	
10.	Register of Share Transfer	

ANNEXURE-B - Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ended 31st March, 2004.

FORMS & RETURNS FILLED WITH THE REGISTRAR OF COMPANIES

S. No.	Particulars of Forms/ Returns Filed	Date of Filing	Whether filed within Prescribed Time	Additional Fees Paid
1.	Annual Accounts u/s 220 for the year ended 31 st March, 2003.	29.10.2003	Yes	No
2.	Compliance Certificate u/s 383A for the year ended 31 st March, 2003.	29.10.2003	Yes	No
3.	Annual Return u/s 159 made upto 30 th September, 2003, being the date of AGM	14.11.2003	Yes	No



BEST ON HEALTH LIMITED AUDITORS' REPORT

The Members of Best On Health Limited

We have audited the attached Balance Sheet of **Best On Health Limited** as at 31st March 2004 and also the Profit and Loss Account and the Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditors' Report) Order 2003 ('the order'), issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - c) the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of the written representations received from the directors as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
3. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Sudhir Sunil & Co.
Chartered Accountants

SUDHIR KAPOOR
Proprietor
Membership No. 86840

Place : New Delhi
Date : 22.06.2004

Annexure to Auditors' Report (Referred to in paragraph 1 of our report of even date)

- i) In respect of Fixed Assets;
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
The fixed assets of the Company, have been physically verified by the management during the year in accordance with a phased program, which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on verification.
 - b) On the basis of our examination and according to the information and explanations given to us, the Company has not made any substantial disposals during the year but it has converted its land from lease to free hold. The relevant documents for the same have been furnished to us.
- ii) There was no inventory held during the year.
- iii) In respect to loans;
 - a) The company has neither granted nor taken any loans secured or unsecured, to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of assets.
- v) In our opinion and according to the information and explanations given to us, there are no transactions for purchase of goods and sale of goods and services made in pursuance of contracts or arrangements entered in the register(s) maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.5,00,000/- (Rupees five lacs) or more in respect of each party.
- vi) The Company has not accepted any deposits from the public, within the purview of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under the provisions of Section 209 (1) (d) of the Companies Act, 1956 in respect of services carried out by the Company.
- ix) In respect of statutory dues;
 - a) As per the information and explanations given to us, the provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the Company.
 - b) According to records of the Company and the information and explanations given to us, there were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Custom duty and Excise Duty which have remained outstanding as at 31st March 2004 for a period of more than six months from the date they become payable.
- x) The Company neither has accumulated losses at the end of the year, nor has incurred cash losses during the current and the immediately preceding financial year.
- xi) The company has not taken any loans from any financial institutions and banks.
- xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks and Financial Institutions.
- xiii) The Company has not made any preferential allotment during the year.
- xiv) The Company has not issued any debentures. Accordingly clause (xix) of the order is not applicable.
- xv) The Company has not raised any money by public issue during the year.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Sudhir Sunil & Co.
Chartered Accountants

SUDHIR KAPOOR
Proprietor
Membership No. 86840

Place : New Delhi
Date : 22.06.2004



BEST ON HEALTH LIMITED

BALANCE SHEET AS AT 31st MARCH, 2004

(Amount in Rs.)

	Schedules	As at 31st March, 2004		As at 31st March, 2003
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	I	19,02,160		19,02,160
Reserves & Surplus	II	1,18,37,171		1,04,33,098
Total		1,37,39,331		1,23,35,258
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	III	1,81,81,326		1,18,12,868
Less : Depreciation		15,62,901		11,68,242
Net Block			1,66,18,425	1,06,44,626
Current Assets, Loans & Advances				
Cash & Bank Balances	IV	35,46,286		13,82,474
Loans & Advances		-		3,26,520
Sub-total (A)		35,46,286		17,08,994
Less: Current Liabilities & Provisions				
Current Liabilities	V	64,00,358		26,250
Provisions		28,966		-
Sub-total (B)		64,29,324		26,250
Net Current Assets (A) - (B)			(28,83,038)	16,82,744
Miscellaneous Expenditure	VI		3,944	7,888
(To the extent not written off or adjusted)				
Total			1,37,39,331	1,23,35,258
Significant Accounting Policies and Notes to Accounts	VII			

The Schedules referred to above and notes thereon form an integral part of the Balance Sheet.

As per our attached report of even date.

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants
(SUDHIR KAPOOR)

Proprietor
Membership No. 86840
Place : New Delhi
Date : 22.06.2004

For and on behalf of the Board

RAJESH JAIN
Chairman & Managing Director

SANDEEP JAIN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2004

	For the year ended 31st March, 2004	For the year ended 31st March, 2003
INCOME		
Rent Received	28,80,000	28,80,000
Other Income	1,05,073	25,029
Total Income	29,85,073	29,05,029
EXPENDITURE		
Fees & Taxes	981	6,215
Consultancy Charges	5,650	10,05,500
Property Tax	5,18,016	5,18,016
Repair & Maintenance	-	1,38,040
Printing & Stationery	-	200
Bank Charges	-	50
General Expenses	1,500	2,350
Audit Fees	15,750	15,750
Legal Expenses	5,000	5,000
Depreciation	3,94,659	3,89,414
Preliminary exp w/off	3,944	3,944
Total Expenditure	9,45,500	20,84,479
Profit before taxes	20,39,573	8,20,550
Provision for Income tax	6,33,006	6,17,000
Short provision for Income tax for earlier year(s)	2,494	-
Profit After Tax	14,04,073	2,03,550
Balance of Profit carried to Balance Sheet	14,04,073	2,03,550
Earning per Share - Basic	7.38	1.07
Earning per Share - Diluted	7.38	1.07

The Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account

As per our attached report of even date

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants
(SUDHIR KAPOOR)

Proprietor
Membership No. 86840
Place : New Delhi
Date : 22.06.2004

For and on behalf of the Board

RAJESH JAIN
Chairman & Managing Director

SANDEEP JAIN
Director



BEST ON HEALTH LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in Rs.)

	As at 31st March, 2004		As at 31st March, 2003					
SCHEDULE I - SHARE CAPITAL								
Authorised								
2,00,000 Equity Shares of Rs. 10/- each.	20,00,000		20,00,000					
Issued, Subscribed and paid-up								
1,90,216 Equity shares of Rs. 10/- each fully paid up.	19,02,160		19,02,160					
	19,02,160		19,02,160					
SCHEDULE II - RESERVES AND SURPLUS								
Share Premium								
Amount as per Last Balance Sheet	1,04,50,000		1,04,50,000					
Profit & Loss Account								
Amount as per last Balance Sheet	(16,902)		(2,20,452)					
Add: Transfer from Profit & Loss A/c	14,04,073	13,87,171	2,03,550	(16,902)				
		1,18,37,171		1,04,33,098				
SCHEDULE III - FIXED ASSETS								
PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2003	Additions during the year	As at 31.03.2004	As at 31.03.2003	Provided during the year	As at 31.03.2004	As at 31.03.2004	As at 31.03.2003
Land	1,53,760	-	1,53,760	-	-	-	1,53,760	1,53,760
Building	1,16,59,108	63,68,458	1,80,27,566	11,68,242	3,94,659	15,62,901	1,64,64,665	1,04,90,866
Total	1,18,12,868	63,68,458	1,81,81,326	11,68,242	3,94,659	15,62,901	1,66,18,425	1,06,44,626
Previous Year	1,18,12,868	-	1,18,12,868	7,78,828	3,89,414	11,68,242	1,06,44,626	1,10,34,040
SCHEDULE IV - CURRENT ASSETS, LOANS & ADVANCES								
A. Current Assets								
Cash & Bank Balances								
Cash in hand	3,421		5,002					
Balances with Scheduled Banks								
- in Current Account	19,89,964		13,77,472					
- in Fixed Deposits	15,52,901		35,46,286					
B. Loans & Advances								
Advance Income Tax (net of tax provision)	-		3,26,520					
			35,46,286					
SCHEDULE V - CURRENT LIABILITIES & PROVISIONS								
A. Current Liabilities								
Expense Payable	31,900		26,250					
Other Liabilities	63,68,458		64,00,358					
B. Provisions								
Provision for Income Tax (net of advance tax)			28,966					
			64,29,324					
SCHEDULE VI - MISCELLANEOUS EXPENDITURE								
Preliminary Expenses	7,888		11,832					
Less : Written off during the year	3,944		3,944					
			3,944					
SCHEDULE VII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS								
A. SIGNIFICANT ACCOUNTING POLICIES								
1. Method of Accounting								
The accompanying financial statements have been prepared in accordance with the historical cost conventions following accrual basis of accounting and in accordance with the Generally Accepted Accounting Practices in India and conforms to the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956, as amended upto date.								



BEST ON HEALTH LIMITED

SCHEDULES TO BALANCE SHEET AND PROFIT & LOSS ACCOUNT

2. Employee Benefits

Since during the relevant period, there was no employee in the company, no provision for gratuity liability has been made. Provident Fund and leave encashment are not applicable to the company.

3. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction and the expenses incurred during construction period have been capitalised under respective heads of fixed assets.

4. Depreciation

Depreciation on Assets is provided on Straight Line Method at rates prescribed and in accordance with Schedule XIV of the Companies Act, 1956.

5. Inventories

Since the Company has not been engaged in the business activities, information regarding method of valuation of inventories is not applicable.

6. Contingencies

Contingency loss arising from claims, litigation, assessments, fines, penalties etc. are provided for when it is probable that a liability may be incurred and the amount can be reasonably estimated.

B. NOTES TO ACCOUNTS

	Current Year	Previous Year
1. Contingent Liabilities exists in respect of:-		
a) Claims against the company not acknowledged as debts	:	-
b) Guarantees given by the company are outstanding to the extent of	:	-
c) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	:	-

2. In the opinion of the Board, Current Assets, Loans & Advances have value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

3. Earnings Per Share

		Amount in (Rs.)
S. No. Particulars	Current Year	Previous Year
a) Net Profit after tax available for Equity Shareholders	14,04,073	2,03,550
b) Calculation of Weighted Average Number of Equity Shares of Rs.10 each		
Number of shares at the beginning of the year	1,90,216	1,90,216
Total number of equity shares outstanding at the end of the year	1,90,216	1,90,216
c) Basic Earnings per Share	7.38	1.07
d) Diluted Earnings per Share	7.38	1.07

4. Related Party Disclosure:

- Related parties with whom there were transactions during the year are listed below:
- Holding Company – The Company is a wholly owned subsidiary of Panacea Biotec Ltd.
 - During the year, the company had the following transactions with its Holding Company – Panacea Biotec Ltd. (PBL) at normal commercial terms in the ordinary course of business. The transactions during the year are as under:-

		(Amount in Rs.)
S.No. Particulars	Current Year	Previous Year
a) Rent received by renting out its premises to PBL	28,80,000	28,80,000
b) Balance due to PBL as at the end of the year	63,68,458	-

5. There would be no change in the amount of Income tax due to the timing difference as per the Companies Act and as per the Income Tax Act, hence no deferred tax assets or liabilities have been provided for.

6. Miscellaneous expenditure is being written off over a period of five years.

7. Previous year's figures have been reworked, rearranged & reclassified wherever necessary to make them comparable with the current year's figures.

As per our attached report of even date

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants

(SUDHIR KAPOOR)

Proprietor

Membership No. 86840

Place : New Delhi

Date : 22.06.2004

For and on behalf of the Board

RAJESH JAIN
Chairman & Managing Director

SANDEEP JAIN
Director



BEST ON HEALTH LIMITED

BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956

i) Registration Details:			
Registration No.	68967	State code	55
Balance Sheet Date	31/03/2004		
ii) Capital raised during the year (Amount in Rs. Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
iii) Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
Total Liabilities	13,739	Total Assets	13,739
Source of Funds (Amount in Rs. Thousands)			
Paid-up Capital	1,902	Reserves & Surplus	11,837
Secured Loan	Nil	Unsecured Loan	Nil
Application of Funds (Amount in Rs. Thousands)			
Net Fixed Assets	16,618	Investments	Nil
Net Current Assets	(2,883)	Misc. Expenditure	4
Accumulated Losses	Nil	(To the extent not W/ off)	
iv) Performance of Company (Amount in Rs. Thousands)			
Turnover / Other Income	2,985	Total expenditure	945
Profit before Tax	2,040	Profit after Tax	1,404
Earning per share in Rs.	7.38	Dividend @ %	Nil
v) Generic Name of three Principal Products / Services of Company			
Item Code No. (ITC Code)	: Not classified		
Product Description			

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants

(SUDHIR KAPOOR)

Proprietor

Membership No. 86840

Place : New Delhi

Date : 22.06.2004

For and on behalf of the Board

RAJESH JAIN
Chairman & Managing Director

SANDEEP JAIN
Director

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED MARCH, 2004

Amount in (Rs.)

	Current Year		Previous Year
Cash flow from operating activities			
Net profit before tax and extra ordinary items	20,39,573		8,20,550
Adjustments for:			
Depreciation	3,94,659	3,89,414	
Interest Expenses	-	-	
Interest Income	(66,541)	-	
Preliminary Expenditure written off	3,944	3,944	3,93,358
Operating profit before working capital changes	23,71,635	-	12,13,908
Trade & other receivables	-	-	
Inventories	-	-	
Trade & other Payables	63,74,108	5,000	5,000
Cash generated from operations	87,45,743		12,18,908
Net Direct Taxes paid	(2,80,014)		(3,87,840)
Net cash from operating activities	84,65,729		8,31,068
Cash flow from investing activities			
Purchase of Fixed Assets	(63,68,458)	-	
Interest Received	66,541	-	
Net cash used in investing activities	(63,01,917)		-
Net cash from operating and investing activities	21,63,812		8,31,068
Cash flow from financing activities			
Increase/ (decrease) in loans	-	-	
Net Cash from financing activities	-		-
Net cash from operating, investing & financing activities	21,63,812		8,31,068
Net increase in Cash & Cash equivalent	21,63,812		8,31,068
Opening balance of Cash & Cash equivalent	13,82,474		5,51,406
Closing balance of Cash & Cash equivalent	35,46,286		13,82,474

As per our attached report of even date

For **M/s. Sudhir Sunil & Co.**

Chartered Accountants

(SUDHIR KAPOOR)

Proprietor

Membership No. 86840

Place : New Delhi

Date : 22.06.2004

For and on behalf of the Board

RAJESH JAIN
Chairman & Managing Director

SANDEEP JAIN
Director